A geographically and culturally diverse state with a proud history, Tennessee is attracting tomorrow's jobs while working to keep yesterday's values.

Tennessee is located near the center of the U.S. marketplace and has an abundant labor force with a strong work ethic—factors that make it an attractive environment for the jobs of the 1990s. Already, the largest single investment in U.S. corporate history—General Motors' new Saturn plant—and the largest Japanese overseas investment—the Nissan plant in Smyrna—call Tennessee their home.

At the same time, the state ranks high in terms of livability. Tennesseans are known as friendly people who make good neighbors, people with an enduring sense of community and family values.

From the mountains of the east through gently rolling hills to flat river-bottom land along the Mississippi, Tennessee's distinct geographic divisions encompass a variety of cultures, crafts and natural resources.

This diversity of land and people has fostered a broad-based economy that flourishes in a sound business climate. Nationally acclaimed education reforms, a modern transportation system and a wealth of recreational opportunities all make Tennessee a good place to live and work.

The General Jackson showboat cruises past downtown Nashville on a morning excursion down the Cumberland River.

Photo by Earl Warren Jr.
State of Tennessee Photographic Services

S 7505-1

Tennessee Comprehensive Annual Financial Report
For The Year Ended June 30, 1986

LAMAR ALEXANDER, Governor

DEPARTMENT OF AUDIT
WILLIAM R. SNODGRASS, Comptroller of the Treasury
Division of State Audit
FRANK L. GREATHOUSE,
Director

DEPARTMENT OF FINANCE AND ADMINISTRATION
DONALD W. JACKSON, Commissioner
Division of Accounts
ROBERT L. BUCKHAM, Assistant Commissioner
for Accounting

Tennessee Department of Finance and Administration
Authorization No. 317025, August, 1986, 1050 copies
This public document was promulgated at a cost of
$4.94 per copy

STATE OF TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 1986

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Introductory Section

STATE OF TENNESSEE

DEPARTMENT OF FINANCE AND ADMINISTRATION

STATE CAPITOL, NASHVILLE, TENNESSEE 37219

November 5, 1986

The Honorable Lamar Alexander
Governor of the State of Tennessee

In accordance with Section 4-4-114, Tennessee Code Annotated, it is my pleasure to transmit to you the Comprehensive Annual Financial Report of the State of Tennessee for the year ended June 30, 1986. This report has been prepared by the State's Department of Finance and Administration. Responsibility for both the accuracy of the data presented and completeness and fairness of the presentation, including all disclosures, rests with the State. I believe the information as presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain maximum understanding of the State's financial activity have been included.

Accounting System and Budgetary Control

The State's accounting records for general governmental funds are maintained on a modified accrual basis, with revenues being recorded when measurable and available and expenditures being recorded when services or goods are received and the liabilities incurred. Accounting records for expendable trust and agency funds are similarly maintained. The State's proprietary, nonexpendable trust, pension trust and college and university funds are accounted for on the accrual basis.

In developing and modifying the State's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. I believe that the State's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is maintained at the departmental level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of available balances are not released until budget revisions are approved or additional appropriations are made. Open encumbrances are reported as reservations of fund balance at June 30, 1986.

The Reporting Entity and Its Services

The funds and entities related to the State of Tennessee included in our Comprehensive Annual Financial Report are controlled by or dependent on the State. Determination of "controlled by or dependent on" is based on criteria developed by the Governmental Accounting Standards Board in their Codification of Governmental Accounting and Financial Reporting Standards, Section 2100. The criteria deal with existence as an organized entity; governmental character; and substantial autonomy. Based on these criteria the various funds and account groups (being all the funds and account groups of the State) shown in the Table of Contents are included in this report.

The State provides the full range of services contemplated by statute or character. These include education, health and social services, transportation, law, justice, public safety, recreation and resources development, public improvements and general administrative services.

General Governmental Functions

General governmental functions are accounted for in four governmental funds - the General, Special Revenue, Debt Service and Capital Projects funds. Revenues for general governmental functions totaled $5 billion in 1986, an all-time high and an increase of 10% over 1985. Taxes represented 60% of general revenues compared to 61% last year. The amount of revenues from various sources and the changes from last year are shown below (expressed in thousands).

Revenue Source	Amount	Percent of Total	Increase (Decrease) from 1985
Taxes	$ 2,990,732	59.8%	$ 214,817
Licenses, fees and permits	61,935	1.2	(2,435)
Interest on investments	79,664	1.6	1,729
Federal	1,584,056	31.7	211,231
Departmental services	271,027	5.4	25,781
Other	12,858	.3	2,585
	$ 5,000,272	100.0%	$ 452,708

Although governmental fund tax revenues fell some $18 million short of estimates for the year, the State continued to enjoy the benefits of the national economic recovery of the previous two years. The greatest tax revenue increment, some $114 million, occurred in sales and use tax where strong increases in collections from auto dealers, manufacturers, grocery stores and restaurants took place. A 3-cent per gallon tax increase, together with record consumption fueled by lower prices, resulted in a $31 million increase in gasoline tax revenues. Federal participation in funding the mounting social, education and highway programs generated the rise in federal revenue.

Expenditures for general governmental purposes totaled $4.4 billion in 1986, also a record and a 13% increase over the previous year. Changes in expenditures by function from 1985 levels are presented in the following tabulation (expressed in thousands).

Function	Amount	Percent of Total	Increase (Decrease) from 1985
General government	$ 177,487	4.1%	$ 15,872
Education	1,271,638	29.2	103,759
Health and social services	1,647,763	37.8	267,177
Law, justice and public safety	300,349	6.9	44,106
Recreation and resources development	144,204	3.3	7,930
Regulation of business and professions	20,127	.5	4,207
Transportation	654,294	15.0	47,511
Debt service	78,929	1.8	(4,511)
Capital outlay	59,168	1.4	17,957
	$ 4,353,959	100.0%	$ 504,008

Functionally, the largest expenditure increment occurred in health and social services where costs associated with the burgeoning Medicaid program rose some $178 million. Funding of the Tennessee Foundation program (supporting local school system salary and operational expenses), the expanding Career Teacher program and the newly initiated teachers group insurance program accounted for $69 million of the expenditure increase in the education function.

Ending fund balances for all governmental fund types increased $220 million to $829 million at June 30, 1986, the highest level on record. Of this total, unreserved fund balances aggregated $136 million, down from $215 million a year ago.

Debt Administration

Tennessee continues to receive excellent bond ratings from both Moody's Investors Service (Aaa) and Standard and Poor's Corporation (AA+), reflecting our long-standing record of sound financial management. One general obligation bond issue totaling $196 million was sold in June 1986 at a favorable average interest rate of 6.69%. Proceeds are to be used primarily to fund additional facilities for the Department of Correction and higher education. As a result of this sale, general long-term bonded debt increased from $481 million at June 30, 1985 to $627 million at June 30, 1986. The following table presents certain data regarding the only other general obligation bonds issued during the previous five fiscal years.

Date of Issue	Amount (Millions)	Average Interest Rate
November 1982	$ 100.0	8.37%

The ratio of net general long-term bonded debt to assessed valuation and the amount of net bonded debt per capita and per family are useful indicators to citizens, investors and management of the State's debt position. At June 30, 1986 these data were as follows:

	Amount	Ratio of Debt to Assessed Value	Debt per Capita	Debt per Family
Net General Long-Term Bonded Debt	$ 624,935,000	2.26%	$130.19	$468.68

Cash Management

In recent years the State Treasurer has pursued an aggressive cash management and investment program. One aspect of this which we believe is unique to Tennessee is our direct access into the Federal Reserve wire system. Through the State Trust of Tennessee, all wire services in the federal system are available via a terminal located in the State's investment offices. This provides the State with unprecedented flexibility in investing and concentrating cash balances and pension fund assets, and in redeeming warrants and checks issued against the Treasury. During fiscal year 1986, uncommitted State funds were invested in short-term collateralized deposits as follows (averaged): certificates of deposit (42%); repurchase agreements (18%); U.S. Treasury bills (39%); and money market accounts (1%). The composite average yield on these investments was 7.5%, down from 10% last year as interest rates eased.

Proprietary Funds

Combined operating results for the State's enterprise funds improved in 1986. Operating revenues increased to $120 million from $98 million in 1985. Operating expenses increased to $108 million from $87 million the previous year. The Tennessee Housing Development Agency (THDA), created to provide housing loans to lower and moderate income citizens, again paced the enterprise activity ($105 million and $94 million in operating revenues and expenses, respectively). Outstanding enterprise fund bonds at June 30, 1986 totaled $1.1 billion, consisting of $69 million in State Loan Program general obligation bonds and $1 billion in THDA and Local Development Authority revenue bonds.

Combined operating results for the State's internal service funds steadied in 1986. Operating revenues and expenses for these cost-reimbursement agencies aggregated $60 million and $58 million, respectively, as compared to 1985 amounts of $46 million and $50 million. The principal internal service operations provide data processing services, third party liability claims processing and motor pool vehicles to other State departments.

College and University Funds

College and University current funds revenues increased 8% to $664 million in 1986. State appropriations to these funds rose 10% to $530 million. The primary highlights in current funds revenues were the increase in income from government grants and contracts ($146 million in 1986 vs. $128 million in 1985); and increased auxiliary enterprise hospital revenues ($235 million in 1986 vs. $221 million in 1985) reflecting higher patient occupancies at both university-operated hospitals. Current funds expenditures likewise increased in 1986, up some 9% to $952 million. The State's commitment to increased pay and benefits for higher education faculty and staff was borne out by this increment. Student loans outstanding at June 30, 1986, primarily from federal government sources, totaled $38 million, up $1 million from last year. Total assets of the endowment and similar funds group rose 17% in 1986 to $58 million. College and university revenue bonded debt increased $27 million to $273 million at June 30, 1986. Enrollment declined to 99,000 students, the lowest in over a decade; university students decreased by 2,000 to 81,000 and community college students decreased by 1,000 to 18,000.

Pension Plan

Total assets of the State's pension trust fund reached $4.8 billion at June 30, 1986. The latest actuarial valuation of the plan, prepared as of June 30, 1985, indicated that net assets of the pension fund exceeded the actuarially computed value of vested benefits at that date by $302 million. Also, the unfunded accrued liability, based on the present value of benefits for past and future service, decreased to $1.7 billion. The actuarial report further noted that excellent progress in funding continued, the plan termination liability funding ratio increasing to 105% at June 30, 1985.

General Fixed Assets

The general fixed assets of the State are those fixed assets used in the performance of general governmental functions. They exclude the fixed assets of the Enterprise, Internal Service, Nonexpendable Trust and College and University Funds. An inventory of all State-owned land and buildings was completed in 1985, and a computerized real property management system is now in place to maintain this information at cost, estimated historical cost or fair market value, as appropriate. As of June 30, 1986 the State's general fixed assets, based on this inventory, amounted to $939 million.

Independent Audit

State statutes require an annual audit of all fund types and account groups of the State. The accompanying financial statements have been examined by the Division of State Audit, Office of the Comptroller of the Treasury. Their examination was conducted in accordance with generally accepted government auditing standards, and their unqualified opinion appears elsewhere herein.

In conjunction with this examination, the Division of State Audit conducted an organization-wide audit as described in the Single Audit Act of 1984 and Office of Management and Budget Circular A-128, Audits of State and Local Governments. The audit included tests of compliance with applicable federal laws and regulations as well as a study and evaluation of internal controls, including internal accounting and administrative controls used in administering federal financial assistance programs. The results of this single audit are published under separate cover by the Division of State Audit.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA), awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Tennessee for its Comprehensive Annual Financial Report for the year ended June 30, 1985. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Past Year's Operations and Future Prospects

Although Tennessee's 1986 financial results fell short of 1985's record performance, we finished the year in a strong financial position. Governmental fund type revenues exceeded expenditures by $646 million, before appropriations transferred to higher education current and plant funds of $594 million. Further, some $69 million was designated and set aside for various one-time capital outlay, higher education, industrial training and other purposes. The result was that we had to call upon our "rainy day" reserve for some $22.9 million, thereby reducing it to $52.1 million.

We anticipate that the State's economy will continue to grow despite the slowdown expected in the national arena. We will continue to be an attractive location for industry with our favorable business and tax environments. We will continue your bold initiatives to provide better education for our children in schools that are among the best in the nation. We will continue in the forefront of states whose progressive financial reporting conforms with the highest standards of financial accountability and disclosure. This report meets those standards. It could not have been prepared without the cooperation of all state agencies and branches. I especially appreciate the professionalism and dedication demonstrated by my staff.

Respectfully submitted,

Donald W. Jackson, Commissioner
Department of Finance and Administration

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

William R. Snodgrass
Comptroller

STATE CAPITOL
NASHVILLE, TENNESSEE 37219-5043
PHONE (615) 741-2501

November 5, 1986

To the Members of the General Assembly
of the State of Tennessee
and
The Honorable Lamar Alexander, Governor
State of Tennessee

Ladies and Gentlemen:

In accordance with Section 4-3-304, Tennessee Code Annotated, transmitted herewith is the auditor's report on the Comprehensive Annual Financial Report of the State of Tennessee for the fiscal year ended June 30, 1986.

Respectfully,

W. R. Snodgrass
Comptroller of the Treasury

WRS/jr

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1985

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to governmental units and public employee retirement systems whose comprehensive annual financial reports (CAFR's) are judged to substantially conform to program standards

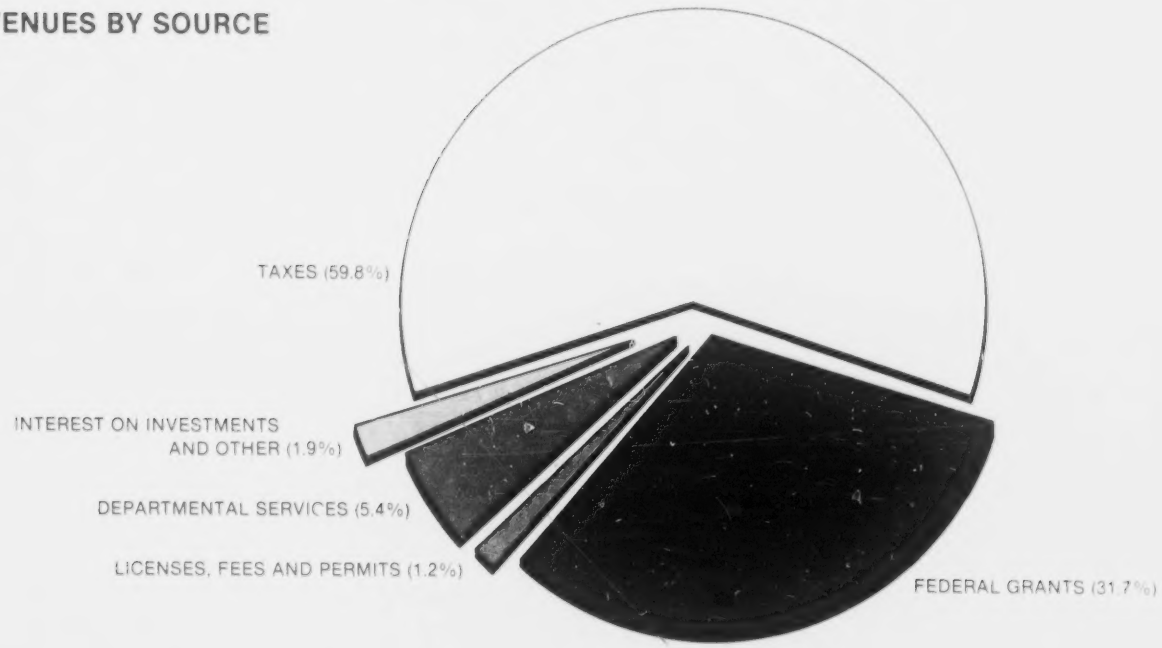
John T. Walsh
President

Jeffrey L. Esser
Executive Director

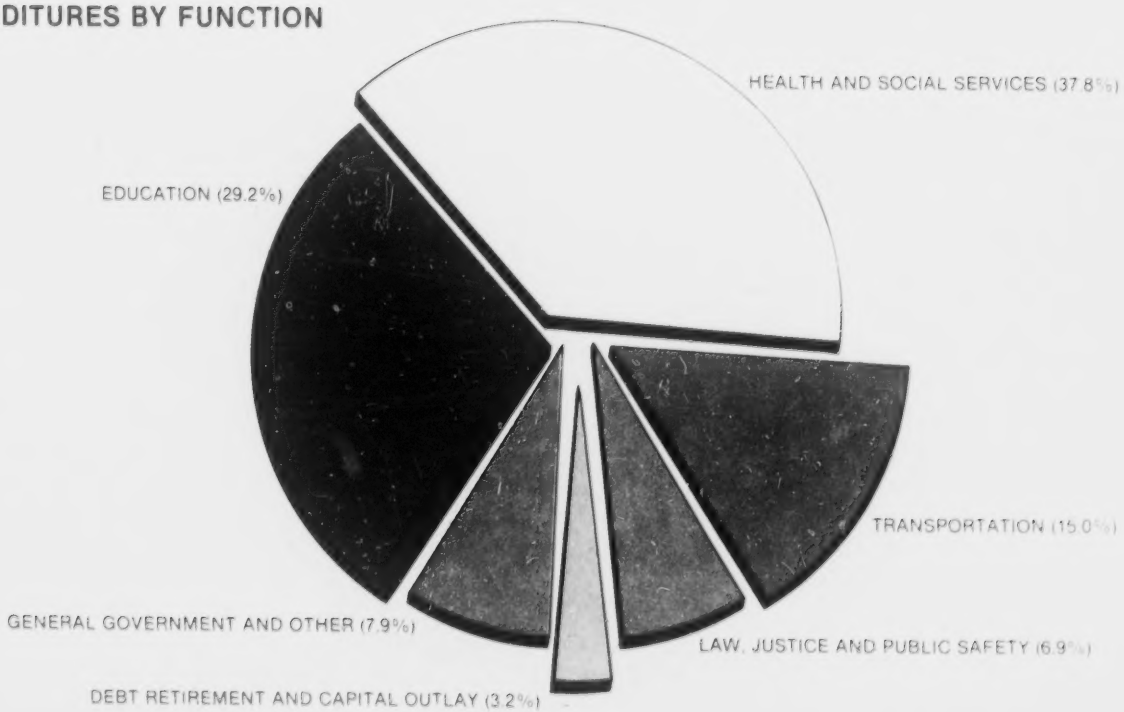
The State of Tennessee was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its Annual Financial Report for the year ended June 30, 1985. Tennessee, Illinois, Maryland, Minnesota and Utah are the only states to currently hold a valid Certificate of Achievement.

STATE OF TENNESSEE
GRAPHIC PRESENTATION OF REVENUES AND EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1986

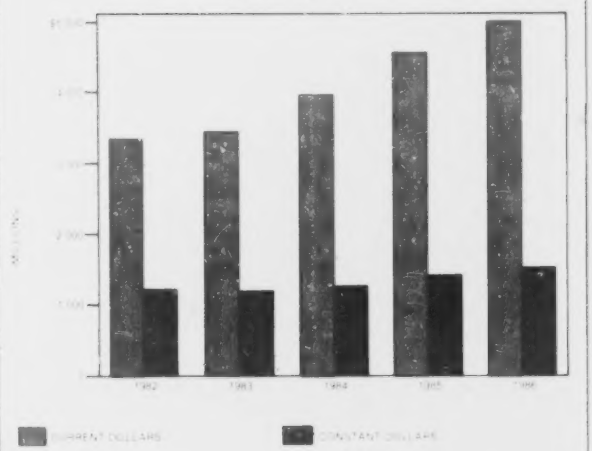
REVENUES BY SOURCE



EXPENDITURES BY FUNCTION

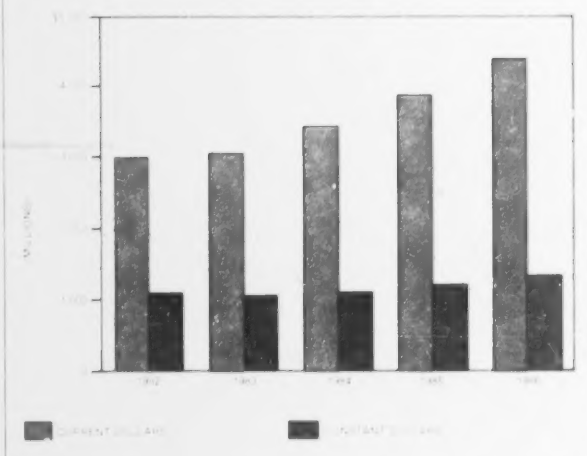

HEALTH AND SOCIAL SERVICES (37.8%)
EDUCATION (29.2%)
TRANSPORTATION (15.0%)
GENERAL GOVERNMENT AND OTHER (7.9%)
LAW, JUSTICE AND PUBLIC SAFETY (6.9%)
DEBT RETIREMENT AND CAPITAL OUTLAY (3.2%)

STATE OF TENNESSEE
REVENUES
ALL GOVERNMENTAL FUND TYPES
LAST FIVE YEARS



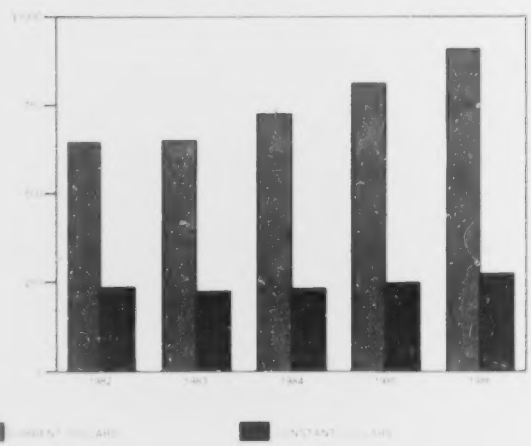
CURRENT DOLLARS	$3,323	$3,432	$3,945	$4,548	$5,000
CONSTANT DOLLARS					
1967					
PERCENT INCREASE OVER PRIOR YEAR IN CURRENT DOLLARS	1.8%	3.3%	14.9%	15.3%	9.9%
PERCENT INCREASE (DECREASE) OVER PRIOR YEAR IN CONSTANT DOLLARS					

STATE OF TENNESSEE
EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
LAST FIVE YEARS



CURRENT DOLLARS	$2,990	$3,043	$3,474	$3,970	$4,434
CONSTANT DOLLARS					
1967					
PERCENT INCREASE (DECREASE) OVER PRIOR YEAR IN CURRENT DOLLARS					
PERCENT INCREASE (DECREASE) OVER PRIOR YEAR IN CONSTANT DOLLARS					

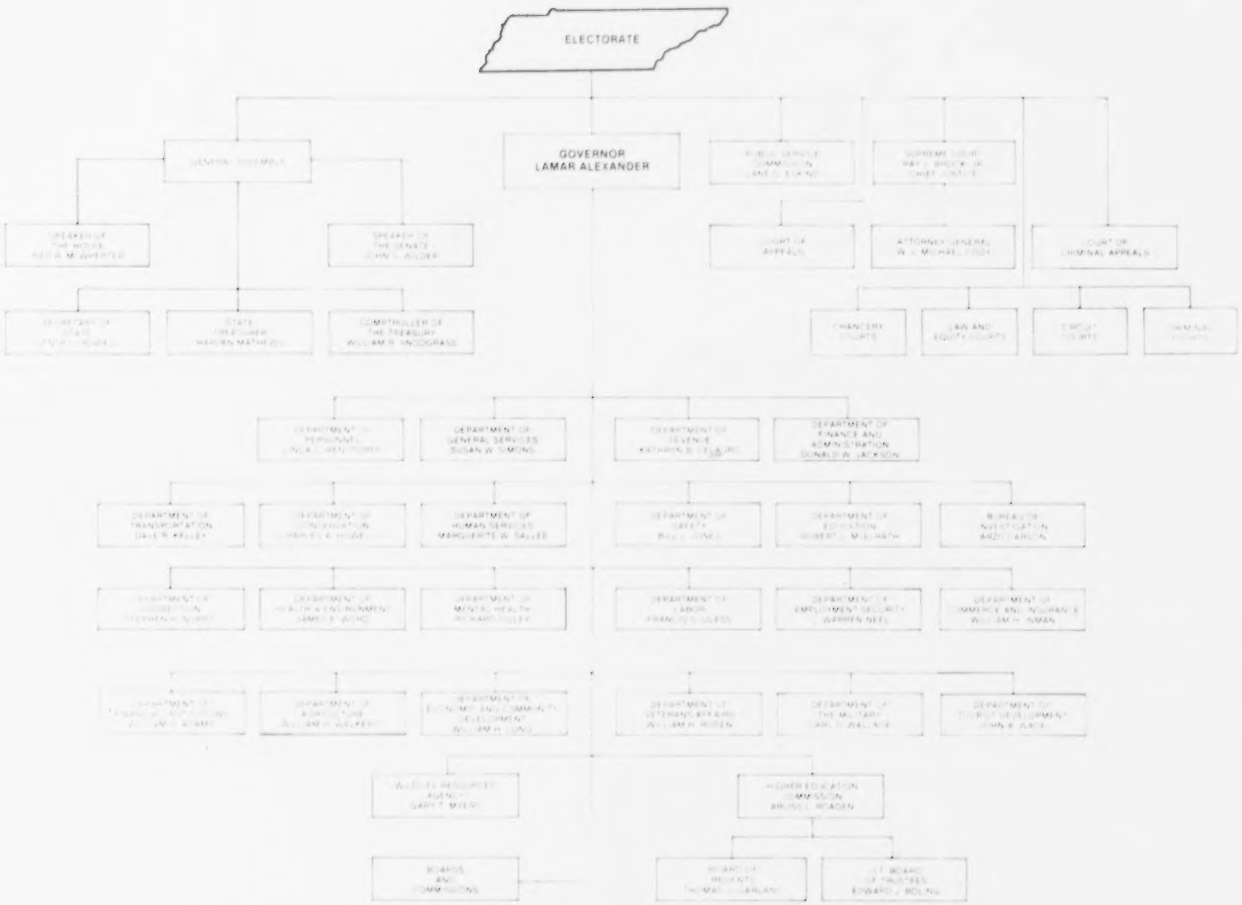
STATE OF TENNESSEE
PER CAPITA EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
LAST FIVE YEARS



CURRENT DOLLARS	$645	$651	$723	$808	$887
CONSTANT DOLLARS					
1967					
PERCENT INCREASE (DECREASE) OVER PRIOR YEAR IN CURRENT DOLLARS					
PERCENT INCREASE (DECREASE) OVER PRIOR YEAR IN CONSTANT DOLLARS					

NOTE: EXPENDITURES EXPRESSED IN CONSTANT DOLLARS WERE DERIVED BY USING THE CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS

STATE OF TENNESSEE
ORGANIZATION CHART
1986



Financial Section

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0264
PHONE (615) 741-3697

November 5, 1986

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37219

Dear Mr. Snodgrass:

We have examined the combined financial statements of the State of Tennessee and the combining and individual financial statements of the funds and account groups of the State as of and for the year ended June 30, 1986 as listed in the foregoing table of contents. Our examination was made in accordance with generally accepted government auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the combined financial statements present fairly the financial position of the State of Tennessee at June 30, 1986 and the results of its operations and the changes in financial position of proprietary and similar trust fund types for the year then ended and the combining and individual financial statements of the funds and account groups present fairly the financial position of the individual funds of the State of Tennessee at June 30, 1986 and the results of their operations and the changes in financial position of the proprietary and similar trust funds for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The statistical and economic data, listed in the foregoing table of contents, were not audited by us and, accordingly, we do not express an opinion thereon.

Respectfully,

Frank L. Greathouse, CPA, Director
Division of State Audit

General Purpose Financial Statements

STATE OF TENNESSEE
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1986

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES			
ASSETS	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
CASH AND CASH EQUIVALENTS	$ 283,911	$ 291,855	$ 5,759	$ 502,197
CASH ON DEPOSIT WITH FISCAL AGENTS				
INVESTMENTS				
RECEIVABLES (Note 1)	192,567	33,081		1,221
INTERFUND RECEIVABLES (Note 2)	1,878	667		7,707
INVENTORIES		5,892		
PREPAYMENTS				
LAND				
STRUCTURES AND IMPROVEMENTS				
MACHINERY AND EQUIPMENT				
LESS - ACCUMULATED DEPRECIATION				
CONSTRUCTION IN PROGRESS				
AMOUNT AVAILABLE IN DEBT SERVICE FUND				
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG - TERM OBLIGATIONS				
DEFERRED CHARGES AND OTHER				
TOTAL ASSETS	**$ 478,356**	**$ 331,495**	**$ 5,759**	**$ 511,125**
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
WARRANTS PAYABLE	$ 51,433	$ 19,101	$ 19	$ 3,601
ACCOUNTS PAYABLE AND ACCRUALS	224,465	45,531	1,905	6,620
INTERFUND PAYABLES (Note 2)	7,288	2,823		1,787
NOTES PAYABLE (Note 3)				115,800
BONDS PAYABLE (Note 3)				
CALL PREMIUMS PAYABLE				
LEASE OBLIGATIONS PAYABLE (Note 3)				
DEFERRED REVENUE	485	9,760		124
OTHER	61	6,994		
TOTAL LIABILITIES	**283,732**	**84,209**	**1,924**	**127,932**
FUND EQUITY (Note 2):				
CONTRIBUTED CAPITAL				
INVESTMENT IN FIXED ASSETS				
RETAINED EARNINGS:				
RESERVED FOR BOND RETIREMENT				
RESERVED FOR SEWAGE TREATMENT LOANS				
UNRESERVED				
FUND BALANCES (Note 1):				
RESERVED FOR:				
RELATED ASSETS		5,892		
ENCUMBRANCES AND CONTRACTS	37,239	139,651		33,119
CONTINUING APPROPRIATIONS	23,880			
OTHER SPECIFIC PURPOSES	11,687	90,981		350,074
UNRESERVED:				
DESIGNATED FOR REVENUE FLUCTUATIONS	52,100			
DESIGNATED FOR CLAIMS AGAINST THE STATE				
DESIGNATED FOR HIGHWAY CONSTRUCTION		10,762		
DESIGNATED FOR DEBT SERVICE			1,635	
DESIGNATED FOR TRUST PURPOSES				
DESIGNATED FOR COLLEGES AND UNIVERSITIES				
DESIGNATED FOR OTHER SPECIFIC PURPOSES	69,490		2,200	
UNDESIGNATED	228			
TOTAL FUND EQUITY	**194,624**	**247,286**	**3,835**	**383,193**
TOTAL LIABILITIES AND FUND EQUITY	**$ 478,356**	**$ 331,495**	**$ 5,759**	**$ 511,125**

See accompanying Notes to the Financial Statements.

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS			TOTALS (MEMORANDUM ONLY)	
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS (Notes 1, 2)	GENERAL LONG-TERM OBLIGATIONS (Note 3)	COLLEGE AND UNIVERSITY	JUNE 30, 1986	JUNE 30, 1985
$ 216,748	$ 34,586	$ 958,212			$ 285,775	$ 2,579,043	$ 1,893,476
	9,153	403,483			29,549	442,185	433,197
132,820		4,233,159			72,100	4,438,079	3,808,031
951,750	89	202,350			105,219	1,486,277	1,352,771
3	2,818	12,383			20,892	46,348	42,087
11	485				18,504	24,892	23,586
	28				1,368	1,396	2,798
29	1,491		$ 65,613		52,061	119,200	108,912
98	12,279		677,082		1,125,644	1,815,103	1,708,859
538	57,054	5	182,734		449,539	689,872	626,042
(401)	(30,506)	(4)				(30,911)	(26,475)
			13,928		46,401	60,329	44,443
				$ 1,635		1,635	3,753
				694,481		694,481	541,840
978					2,480	3,458	3,096
$ 1,302,574	$ 87,477	$ 5,809,591	$ 939,363	$ 696,116	$ 2,209,532	$ 12,371,388	$ 10,566,410
$ 1,493	$ 1,685	$ 12,451				$ 89,783	$ 113,735
50,837	35,106	236,935		$ 69,479	$ 98,065	768,943	629,664
25	102	25,757			8,566	46,348	42,087
62,500					44,191	222,491	178,920
1,096,866				326,570	272,844	1,996,280	1,731,499
							1,533
				67	11,002	11,069	15,916
2,658	909	7,262			24,763	45,961	35,927
		283,496			22,129	312,680	220,849
1,214,379	37,802	565,901		696,116	481,560	3,493,555	2,970,121
3,206	42,336	39,577				85,119	66,556
			$ 939,363		1,347,911	2,287,274	2,150,407
13,317						13,317	13,282
2,094						2,094	1,000
69,578	7,339					76,917	62,879
					39,353	45,245	48,818
					14,254	224,263	230,448
					23,880	39,944	39,944
		5,182,765			243,187	5,878,694	4,682,593
						52,100	75,000
							2,000
						10,762	10,542
						1,635	3,753
		21,348			4,963	26,311	21,134
					78,304	78,304	64,095
						71,690	122,057
						228	381
88,195	49,675	5,243,690	939,363		1,727,972	8,877,833	7,596,289
$ 1,302,574	$ 87,477	$ 5,809,591	$ 939,363	$ 696,116	$ 2,209,532	$ 12,371,388	$ 10,566,410

STATE OF TENNESSEE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST	JUNE 30, 1986	JUNE 30, 1985
REVENUES:							
TAXES	$2,596,094	$ 291,371	$ 103,267		$ 196,770	$ 3,187,502	$ 3,042,851
LICENSES, FEES AND PERMITS	37,765	24,170				61,935	64,370
INTEREST ON INVESTMENTS	79,664				49,176	128,840	112,399
FEDERAL	1,245,695	334,129	92	$ 4,140	14,394	1,598,450	1,400,948
DEPARTMENTAL SERVICES	258,301	11,362		1,364		271,027	245,246
CONTRIBUTIONS					93,436	93,436	82,713
OTHER	7,886	4,900	72		112	12,970	12,645
TOTAL REVENUES	4,225,405	665,932	103,431	5,504	353,888	5,354,160	4,961,172
EXPENDITURES:							
CURRENT:							
GENERAL GOVERNMENT	167,254	10,233			97,486	274,973	242,991
EDUCATION	1,270,074	1,564			2,474	1,274,112	1,167,879
HEALTH AND SOCIAL SERVICES	1,645,587	2,176			197,777	1,845,540	1,576,735
LAW, JUSTICE AND PUBLIC SAFETY	300,158	191				300,349	256,243
RECREATION AND RESOURCES DEVELOPMENT	124,795	19,409				144,204	136,274
REGULATION OF BUSINESS AND PROFESSIONS	20,124	3				20,127	15,920
TRANSPORTATION		654,294				654,294	606,783
DEBT SERVICE			78,929			78,929	83,440
CAPITAL OUTLAY				59,168		59,168	41,211
TOTAL EXPENDITURES	3,527,992	687,870	78,929	59,168	297,737	4,651,696	4,127,476
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	697,413	(21,938)	24,502	(53,664)	56,151	702,464	833,696
OTHER FINANCING SOURCES (USES):							
PROCEEDS FROM BOND SALE				196,000		196,000	
OPERATING TRANSFERS IN		28,679	1,800	196,977		227,456	124,391
OPERATING TRANSFERS OUT	(753,541)		(26,220)	(57,222)		(836,983)	(692,225)
TOTAL OTHER FINANCING SOURCES (USES)	(753,541)	28,679	(24,420)	335,755		(413,527)	(567,834)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(56,128)	6,741	82	282,091	56,151	288,937	265,862
FUND BALANCES, JULY 1 (Note 2)	263,119	240,545	3,753	101,102	417,856	1,026,375	787,254
EQUITY TRANSFERS, NET	(12,367)					(12,367)	(26,741)
FUND BALANCES, JUNE 30 (Note 2)	$ 194,624	$ 247,286	$ 3,835	$ 383,193	$ 474,007	$ 1,302,945	$ 1,026,375

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PENSION TRUST	JUNE 30, 1986	JUNE 30, 1985
OPERATING REVENUES:						
CHARGES FOR SERVICES	$ 2,515	$ 54,172			$ 56,687	$ 44,533
CONTRIBUTIONS				$ 434,689	434,689	397,762
INVESTMENT INCOME	108,602	6,215	$ 4,217	499,608	618,642	388,830
DISCOUNT AMORTIZATION				64,689	64,689	59,323
INTERGOVERNMENTAL	8,762				8,762	8,193
OTHER		34	2,480		2,514	1,217
TOTAL OPERATING REVENUES	119,879	60,421	6,697	998,986	1,185,983	899,848
OPERATING EXPENSES:						
PERSONAL SERVICES	2,927	11,393			14,320	12,463
CONTRACTUAL SERVICES	3,779	4,900		20,118	28,797	25,284
MATERIALS AND SUPPLIES	459	8,474			8,933	7,315
RENTALS AND INSURANCE	203	6,657			6,860	5,365
INTEREST	98,771	2,908			101,679	82,386
DEPRECIATION AND AMORTIZATION	387	7,765			8,152	6,583
BENEFITS		14,233		204,645	218,878	200,063
REFUNDS				21,302	21,302	22,774
OTHER	1,310	2,105	2,322		5,737	1,919
TOTAL OPERATING EXPENSES	107,836	58,435	2,322	246,065	414,658	364,152
OPERATING INCOME	12,043	1,986	4,375	752,921	771,325	535,696
NONOPERATING REVENUES (EXPENSES)	135		(9,069)		(8,934)	(6,156)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	12,178	1,986	(4,694)	752,921	762,391	529,540
OPERATING TRANSFERS IN	1,000		9,208	5,500	15,708	58,335
NET INCOME/CHANGE IN RETAINED EARNINGS	13,178	1,986	4,514	758,421	778,099	587,875
OTHER CHANGES IN FUND EQUITY:						
EQUITY TRANSFERS IN (OUT)	2,500	(133)	10,625		12,992	27,366
CONTRIBUTED FIXED ASSETS		1,891			1,891	1,155
CONTRIBUTIONS FROM PRIVATE SOURCES			4,563		4,563	3,625
NET CHANGE IN FUND EQUITY	15,678	3,744	19,702	758,421	797,545	620,021
FUND EQUITY, JULY 1 (Note 2)	72,517	45,931	40,048	3,951,512	4,110,008	3,489,987
FUND EQUITY, JUNE 30	$ 88,195	$ 49,675	$ 59,750	$ 4,709,933	$ 4,907,553	$ 4,110,008

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PENSION TRUST	JUNE 30, 1986	JUNE 30, 1985
SOURCES OF WORKING CAPITAL:						
OPERATIONS:						
NET INCOME	$ 13,178	$ 1,986	$ 4,514	$ 758,421	$ 778,099	$ 587,875
ITEMS NOT PROVIDING/REQUIRING WORKING CAPITAL:						
DISCOUNT AMORTIZATION	1,540			(64,689)	(63,149)	(59,323)
DEPRECIATION AND AMORTIZATION	387	7,765			8,152	6,583
MULTIPLIER BOND ACCRETION	4,702				4,702	
WORKING CAPITAL PROVIDED BY OPERATIONS	19,807	9,751	4,514	693,732	727,804	535,135
PROCEEDS FROM SALE OF BONDS	158,573				158,573	247,118
DISPOSAL OF MACHINERY AND EQUIPMENT		1,052			1,052	681
DECREASE IN LOANS TO OTHER GOVERNMENTS	2,904				2,904	4,616
SALE OF LONG-TERM INVESTMENTS		52,574			52,574	
EQUITY TRANSFERS IN	2,500	46	10,625		13,171	27,560
CONTRIBUTIONS FROM PRIVATE SOURCES			4,563		4,563	3,625
DECREASE IN DEFERRED CHARGES		237			237	
TOTAL SOURCES OF WORKING CAPITAL	183,784	63,660	19,702	693,732	960,878	818,735
USES OF WORKING CAPITAL:						
PURCHASE OF LONG-TERM INVESTMENTS	13,469		29,420	593,692	636,581	487,988
INCREASE IN NONCURRENT RECEIVABLES	133,310				133,310	117,855
INCREASE IN DEFERRED CHARGES	194				194	281
ACQUISITION OF FIXED ASSETS	34	14,878			14,912	10,620
DECREASE IN LONG-TERM DEBT	50,094	53,999			104,093	27,664
EQUITY TRANSFERS OUT		179			179	194
TOTAL USES OF WORKING CAPITAL	197,101	69,056	29,420	593,692	889,269	644,602
NET CHANGE IN WORKING CAPITAL	$ (13,317)	$ (5,396)	$ (9,718)	$ 100,040	$ 71,609	$ 174,133
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:						
CASH AND CASH EQUIVALENTS	$ 80,075	$ 2,478	$(11,001)	$ 128,531	$ 200,083	$ 137,853
CASH ON DEPOSIT WITH FISCAL AGENT	(68,850)	8,332			(60,518)	68,854
INVESTMENTS				(33,020)	(33,020)	(94,950)
RECEIVABLES	(23,412)	81	2,893	26,408	5,970	14,261
INTERFUND RECEIVABLES	(26)	2,733		(5,458)	(2,751)	5,108
INVENTORIES		151			151	(9)
PREPAID EXPENSES		(6)			(6)	(10)
WARRANTS PAYABLE	(111)	(1,232)	28		(1,315)	(441)
ACCOUNTS PAYABLE AND ACCRUALS	20	(17,772)	(1,420)	(49,441)	(68,613)	(35,322)
INTERFUND PAYABLES	(2)	(23)	(151)		(176)	(22)
NOTES PAYABLE	27,700				27,700	(11,920)
CURRENT PORTION OF LONG-TERM DEBT	(29,129)				(29,129)	(4,077)
OTHER	418	(138)	(67)	33,020	33,233	94,808
NET CHANGE IN WORKING CAPITAL	$ (13,317)	$ (5,396)	$ (9,718)	$ 100,040	$ 71,609	$ 174,133

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
ALL COLLEGE AND UNIVERSITY CURRENT FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

			TOTALS FOR THE YEAR ENDED	
	UNRESTRICTED	RESTRICTED	JUNE 30, 1986	JUNE 30, 1985
REVENUES:				
EDUCATIONAL AND GENERAL:				
TUITION AND FEES	$ 145,106		$ 145,106	$ 134,325
FEDERAL APPROPRIATIONS	14,452		14,452	17,256
LOCAL APPROPRIATIONS	1,237		1,237	1,237
FEDERAL GRANTS AND CONTRACTS	12,569	$ 133,152	145,721	128,495
STATE GRANTS AND CONTRACTS	4,720	13,293	18,013	10,588
LOCAL GRANTS AND CONTRACTS	3,178	2,406	5,584	5,092
PRIVATE GIFTS, GRANTS AND CONTRACTS	3,507	38,360	41,867	38,338
ENDOWMENT INCOME	599	3,712	4,311	4,215
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	29,598		29,598	30,060
SALES AND SERVICES OF AUXILIARY ENTERPRISES AND HOSPITALS	232,613	2,618	235,231	221,289
OTHER SOURCES	22,492	42	22,534	24,012
TOTAL REVENUES	**470,071**	**193,583**	**663,654**	**614,907**
EXPENDITURES AND TRANSFERS:				
EDUCATIONAL AND GENERAL:				
INSTRUCTION	376,636	50,249	426,885	396,525
RESEARCH	24,356	55,039	79,395	69,224
PUBLIC SERVICE	36,479	40,237	76,716	68,567
ACADEMIC SUPPORT	75,971	6,174	82,145	75,835
STUDENT SERVICES	57,720	2,239	59,959	54,560
INSTITUTIONAL SUPPORT	93,565	2,892	96,457	85,906
OPERATION AND MAINTENANCE OF PLANT	78,419	356	78,775	74,854
SCHOLARSHIPS AND FELLOWSHIPS	6,492	45,514	52,006	46,447
EDUCATIONAL AND GENERAL EXPENDITURES	749,638	202,700	952,338	871,918
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	3,553		3,553	2,071
ENDOWMENT FUND	105		105	26
LOAN FUND MATCHING GRANT	96		96	122
RESTRICTED CURRENT FUND	48		48	
NON-MANDATORY TRANSFERS FOR:				
UNEXPENDED PLANT FUNDS	1,210		1,210	8,644
RENEWALS AND REPLACEMENTS	748		748	1,675
RETIREMENT OF INDEBTEDNESS	(144)		(144)	(1,155)
AUXILIARY ENTERPRISE AND HOSPITALS	(1,351)		(1,351)	(1,237)
LOAN FUND MATCHING GRANT	(8)		(8)	
STATE GENERAL FUND	(517,246)	(12,360)	(529,606)	(482,473)
STATE CHAIRS OF EXCELLENCE TRUST FUND		625	625	625
TOTAL EDUCATIONAL AND GENERAL	236,649	190,965	427,614	400,216
AUXILIARY ENTERPRISES AND HOSPITALS:				
EXPENDITURES	204,423	2,618	207,041	196,398
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	17,406		17,406	14,570
RENEWALS AND REPLACEMENTS	21		21	21
NON-MANDATORY TRANSFERS FOR:				
RENEWALS AND REPLACEMENTS	3,124		3,124	3,220
UNEXPENDED PLANT FUNDS	4,448		4,448	4,419
EDUCATIONAL AND GENERAL FUNDS	1,351		1,351	1,237
TOTAL AUXILIARY ENTERPRISE AND HOSPITAL EXPENDITURES AND TRANSFERS	230,773	2,618	233,391	219,865
TOTAL CURRENT EXPENDITURES AND TRANSFERS	**467,422**	**193,583**	**661,005**	**620,081**
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):				
EXCESS OF RESTRICTED OVER TRANSFER TO REVENUE		25,774	25,774	12,316
INDIRECT COST RECOVERIES		(13,935)	(13,935)	(12,186)
TRANSFERS TO FUNDS	(1,631)	(1,729)	(3,360)	(1,364)
REFUNDED TO GRANTORS		(413)	(413)	(446)
OTHER ADDITIONS (DEDUCTIONS)	2,952	(461)	2,491	1,409
NET INCREASE IN FUND BALANCES	**$ 3,970**	**$ 9,236**	**$ 13,206**	**$ (645)**

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF CHANGES IN FUND BALANCES
ALL COLLEGE AND UNIVERSITY FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	CURRENT FUNDS			ENDOWMENT AND	LIFE
	UNRESTRICTED	RESTRICTED	LOAN	SIMILAR	INCOME
REVENUES AND OTHER ADDITIONS:					
EDUCATIONAL AND GENERAL REVENUES	$ 237,458				
AUXILIARY ENTERPRISES AND HOSPITALS	232,613				
GRANTS AND CONTRACTS-RESTRICTED		$207,231	$ 1,150	$ 3,492	$ 2,989
GIFTS AND REQUESTS-RESTRICTED		8,338	102	273	
REALIZED GAINS ON INVESTMENTS				2,257	594
INTEREST ON LOANS RECEIVABLE			1,008		
INVESTMENT INCOME - RESTRICTED		275	186	155	1,037
ENDOWMENT INCOME		2,748	69	395	
BONDS AND NOTES ISSUED					
RETIREMENT OF INDEBTEDNESS					
EQUIPMENT USE CHARGES					
STUDENT DEBT SERVICE FEES					
EXPENDED FOR PLANT FACILITIES					
OTHER	3,011	256	573	169	
TOTAL REVENUES AND OTHER ADDITIONS	**473,082**	**218,848**	**3,088**	**6,741**	**4,620**
EXPENDITURES AND OTHER DEDUCTIONS:					
EDUCATIONAL AND GENERAL EXPENDITURES	749,638	202,692			
AUXILIARY ENTERPRISES EXPENDITURES	204,423	2,626			
INDIRECT COSTS RECOVERED		13,935			
REFUNDED TO GRANTORS		413	158		
LOAN CANCELLATIONS AND WRITE-OFFS			537		
ADMINISTRATIVE AND COLLECTION COSTS			342		
EXPENDED FOR PLANT FACILITIES					
RETIREMENT OF INDEBTEDNESS					
INTEREST ON INDEBTEDNESS					
DISPOSAL OF PLANT FACILITIES					
PAYMENTS TO BENEFICIARIES					972
BONDS AND NOTES ISSUED					
OTHER	59	665	429	838	2
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	**954,120**	**220,331**	**1,466**	**838**	**974**
TRANSFERS AMONG FUNDS ADDITIONS (DEDUCTIONS):					
MANDATORY:					
PRINCIPAL AND INTEREST	(20,958)				
LOAN FUND MATCHING GRANT	(96)		96		
ENDOWMENT FUNDS	(106)	5		282	(181)
RENEWALS AND REPLACEMENTS	(21)				
RESTRICTED CURRENT FUND	(48)	(1,550)		374	
NON-MANDATORY:					
RESTRICTED CURRENT FUNDS	(76)	76			
ENDOWMENT FUNDS	(1,555)	(6)		1,561	
LOAN FUNDS	8		(8)		
UNEXPENDED PLANT FUNDS	(5,658)	(120)	(1)		
RENEWALS AND REPLACEMENTS	(3,872)				
RETIREMENT OF INDEBTEDNESS	144			80	
STATE GENERAL FUND AND CAPITAL PROJECTS FUND	517,246	12,939			
STATE CHAIRS OF EXCELLENCE TRUST FUND		(625)			
TOTAL TRANSFERS AMONG FUNDS	**485,008**	**10,719**	**87**	**2,297**	**(181)**
NET INCREASE FOR THE YEAR	**3,970**	**9,236**	**1,709**	**8,200**	**3,465**
FUND BALANCES, JULY 1	58,961	31,761	41,956	49,023	13,520
FUND BALANCES, JUNE 30	**$ 62,931**	**$ 40,997**	**$ 43,665**	**$ 57,223**	**$ 16,985**

See accompanying Notes to the Financial Statements.

PLANT FUNDS				TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
UNEXPENDED PLANT	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	JUNE 30, 1986	JUNE 30, 1985
				$ 237,458	$ 225,790
				232,613	218,673
$ 378		$ 398	$ 197	215,835	182,305
5,860		336	737	15,646	18,623
				2,851	2,062
				1,008	1,183
1,171	$ 963	5,066		8,853	8,011
				3,212	3,172
31,440		139		31,779	33,715
			9,868	9,868	16,916
	3,691			3,691	2,904
		4,563		4,563	4,790
			147,452	147,452	112,044
20,204	88	130	9,125	33,556	5,774
59,253	**4,742**	**10,632**	**167,379**	**948,385**	**835,962**
				952,330	871,918
				207,049	196,398
				13,935	12,190
				571	538
				537	664
		17		359	344
86,571	4,168			90,739	62,161
161	111	9,338		9,610	14,682
7	6	18,774	81	18,868	16,533
			17,708	17,708	20,616
				972	868
			61,630	62,567	38,465
937					
4,890	69	861	8,434	16,247	7,666
92,566	**4,354**	**28,990**	**87,853**	**1,391,492**	**1,243,041**
		20,958			
	21				
1,224					
6,643		(864)			
(83)	2,489	1,466			
(109)	(129)	14			
59,884		3,751		593,820	509,499
				(625)	(625)
67,559	**2,381**	**25,325**		**593,195**	**508,874**
34,246	**2,769**	**6,967**	**79,526**	**150,088**	**101,795**
52,616	18,229	43,433	1,268,385	1,577,884	1,476,089
$ 86,862	**$ 20,998**	**$ 50,400**	**$1,347,911**	**$ 1,727,972**	**$ 1,577,884**

STATE OF TENNESSEE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND AND ALL SPECIAL REVENUE FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	GENERAL FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 249,391	$ 249,391	
ADD - ENCUMBRANCE AND CONTRACT RESERVES REAPPROPRIATED	13,593	13,593	
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	262,984	262,984	
REVENUES:			
TAXES	2,616,801	2,596,094	$ (20,707)
LICENSES, FEES AND PERMITS	36,400	37,363	963
INTEREST ON INVESTMENTS	79,900	79,664	(236)
FEDERAL	1,297,222	1,245,695	(51,527)
DEPARTMENTAL SERVICES	273,973	258,301	(15,672)
OTHER	2,300	7,886	5,586
OTHER FINANCING SOURCES - TRANSFERS IN	133	133	
TOTAL SOURCES OF FINANCIAL RESOURCES	**4,569,713**	**4,488,120**	**(81,593)**
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
GENERAL GOVERNMENT			
LEGISLATIVE	12,190	10,238	1,952
SECRETARY OF STATE	15,079	13,192	1,887
COMPTROLLER	26,968	24,207	2,761
TREASURER	6,482	6,284	198
PUBLIC SERVICE COMMISSION			
GOVERNOR	3,977	3,787	190
COMMISSIONS	39,136	33,731	5,405
FINANCE AND ADMINISTRATION	7,549	6,272	1,277
PERSONNEL	4,949	4,763	186
GENERAL SERVICES	17,196	16,451	745
REVENUE	34,950	34,039	911
OTHER GENERAL GOVERNMENT	18,765	16,256	2,509
	187,241	169,220	18,021
EDUCATION	1,300,962	1,270,658	30,304
HEALTH AND SOCIAL SERVICES			
VETERANS AFFAIRS	1,215	1,147	68
EMPLOYMENT SECURITY	51,623	43,846	7,777
LABOR	89,508	67,341	22,167
MENTAL HEALTH AND MENTAL RETARDATION	230,593	223,223	7,370
HEALTH AND ENVIRONMENT	929,749	967,351	(37,602)
HUMAN SERVICES	409,694	366,388	43,306
	1,712,382	1,669,296	43,086
LAW, JUSTICE AND PUBLIC SAFETY			
JUDICIAL	44,964	42,687	2,277
CORRECTION	193,634	188,725	4,909
MILITARY	23,008	14,216	8,792
BUREAU OF CRIMINAL INVESTIGATION	12,589	10,928	1,661
SAFETY	55,380	52,041	3,339
	329,575	308,597	20,978
RECREATION AND RESOURCES DEVELOPMENT			
AGRICULTURE	13,731	12,665	1,066
TOURIST DEVELOPMENT	10,815	10,629	186
CONSERVATION	62,466	58,390	4,076
WILDLIFE RESOURCES			
ECONOMIC AND COMMUNITY DEVELOPMENT	53,252	45,142	8,110
	140,264	126,826	13,438
REGULATION OF BUSINESS AND PROFESSIONS			
COMMERCE AND INSURANCE	19,112	16,933	2,179
FINANCIAL INSTITUTIONS	3,725	3,286	439
	22,837	20,219	2,618
TRANSPORTATION			
OTHER FINANCING USES - TRANSFERS OUT	766,041	766,041	
TOTAL USES OF FINANCIAL RESOURCES	**4,459,302**	**4,330,857**	**128,445**
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	**$ 110,411**	**$ 157,263**	**$ 46,852**

See accompanying Notes to the Financial Statements.

SPECIAL REVENUE FUNDS			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 38,523	$ 38,523		$ 287,914	$ 287,914	
202,023	202,023		215,616	215,616	
240,546	240,546		503,530	503,530	
288,918	291,371	$ 2,453	2,905,719	2,887,465	$ (18,254)
18,082	24,170	6,088	54,482	61,533	7,051
			79,900	79,664	(236)
347,654	334,129	(13,525)	1,644,876	1,579,824	(65,052)
24,829	11,362	(13,517)	298,852	269,663	(29,189)
3,700	4,900	1,200	6,000	12,786	6,786
28,679	28,679		28,812	28,812	
952,458	935,157	(17,301)	5,522,171	5,423,277	(98,894)
			12,190	10,238	1,952
			15,079	13,192	1,887
			26,968	24,207	2,761
4,647	3,996	651	11,129	10,280	849
6,871	6,322	549	6,871	6,322	549
			3,977	3,787	190
			39,136	33,731	5,405
			7,549	6,272	1,277
			4,949	4,763	186
			17,196	16,451	745
			34,950	34,039	911
			18,765	16,256	2,509
11,518	10,318	1,200	198,659	179,538	19,221
1,837	1,564	73	1,302,599	1,272,222	30,377
			1,215	1,147	68
			51,623	43,846	7,777
			89,508	67,341	22,167
			230,593	223,223	7,370
5,157	2,179	2,978	934,906	969,530	(34,624)
			409,694	366,388	43,306
5,157	2,179	2,978	1,717,539	1,671,475	46,064
			44,964	42,687	2,277
			193,634	188,725	4,909
			23,008	14,216	8,792
			12,589	10,928	1,661
394	297	97	55,774	52,338	3,436
394	297	97	329,969	308,894	21,075
			13,731	12,665	1,066
			10,815	10,629	186
			82,466	58,390	4,076
20,471	19,965	506	20,471	19,965	506
20,471	19,965	506	53,252	45,142	8,110
			180,735	146,791	13,944
3	3		19,115	16,936	2,179
			3,725	3,286	439
3	3		22,840	20,222	2,618
881,184	858,153	23,031	881,184	858,153	23,031
			766,041	766,041	
920,364	892,479	27,885	5,379,666	5,223,336	156,330
$ 32,094	$ 42,678	$ 10,584	$ 142,505	$ 199,941	$ 57,436

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1986

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation - The accompanying financial statements of the State of Tennessee have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of the College and University Funds have been prepared in conformity with generally accepted accounting principles for colleges and universities as prescribed by the National Association of College and University Business Officers and the American Institute of Certified Public Accountants. Certain amounts presented for the preceding year have been reclassified for comparative purposes.

B. Financial Reporting Entity - For financial reporting purposes the State of Tennessee includes all fund types, account groups, departments and agencies of the state, as well as boards, commissions, authorities, colleges and universities, over which the state's executive, legislative and judicial branches exercise oversight responsibility. This complies with Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards, Section 2100. Oversight responsibility is defined to include the following considerations:

1. Selection of governing authority;
2. Designation of management;
3. Ability to significantly influence operations;
4. Accountability for fiscal matters;
5. Scope of public service; and/or
6. Special financing relationships.

C. Fund Structure and Basis of Accounting - The financial activities of the state reported in the accompanying statements are classified into four fund categories and two account groups, all described below. The fund categories include governmental funds, proprietary funds, fiduciary funds, and college and university funds. Account groups are presented for general fixed assets and general long-term obligations.

The state's governmental funds include:

1. the General Fund - used to account for all financial transactions not required to be accounted for in other funds;
2. the Special Revenue Funds - used to account for specific revenues earmarked to finance particular or restricted programs and activities;
3. the Debt Service Fund - used to account for the payment of principal and interest on general long-term debt; and
4. the Capital Projects Fund - used to account for the acquisition or construction of all major governmental capital facilities.

All of the governmental funds are accounted for on the modified accrual basis of accounting. In accordance with this basis, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. Principal revenue sources accounted for on the modified accrual basis include federal grants ($1.6 billion), departmental services ($271 million) and interest on investments ($80 million). Sales taxes ($1.8 billion), petroleum and vehicular-related taxes and fees, licenses, gross receipts taxes and other miscellaneous revenue sources are accounted for on the cash basis. Expenditures are recognized at the time fund liabilities are incurred except:

a. Inventories generally are considered expenditures at acquisition;
b. Prepayments usually are not recorded; and
c. Interest on long-term debt is recorded when due.

Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent year expenditure.

The proprietary funds include:

1. the Enterprise Funds - used to account for the operations of self-sustaining state agencies providing goods or services to the general public on a user-charge basis; and
2. the Internal Service Funds - used to account for the operations of self-sustaining state agencies providing goods or services to other state agencies on a cost-reimbursement basis.

The proprietary funds are accounted for on the accrual basis.

The fiduciary funds represent Trust and Agency Funds which are used to account for assets held by the state in a trust or agency capacity. These funds include:

1. the Expendable Trust Funds - used to account for the activities of trusts whose principal and income may be used for purposes of the trust;
2. the Nonexpendable Trust Funds - used to account for the activities of trusts whose income is used to fund the trust purpose but whose principal is to be maintained intact;
3. the Pension Trust Fund - used to account for the activities of the state-administered retirement system; and
4. the Agency Funds - used to account for amounts held in trust for others.

Expendable Trust and Agency Funds are accounted for on the modified accrual basis of accounting. Nonexpendable and Pension Trust Funds are accounted for on the accrual basis.

The college and university funds include:

1. Current Funds - used to account for resources that will be expended in the near term for operating purposes of the institutions. These include (a) unrestricted funds over which the governing boards retain full control in achieving the institutions' purposes and (b) restricted funds which may be utilized only in accordance with externally-restricted purposes;
2. Fiduciary Funds - used to account for assets held by loan, endowment, life income and agency funds in which the universities act in a fiduciary capacity; and
3. Plant Funds - used to account for institutional property acquisition, renewal, replacement, debt service and investment.

The college and university funds are accounted for on the accrual basis of accounting with the following exceptions:

a. Depreciation expense related to plant fund assets is not recorded; and
b. Revenues and expenditures of an academic term encompassing more than one fiscal year are solely reported in the fiscal year in which the term is predominantly conducted.

The account group for general fixed assets is maintained to account for all fixed assets acquired or constructed for use by the state, other than those accounted for in the proprietary, fiduciary, and college and university funds.

The account group for general long-term obligations is maintained to account for general obligation bonds outstanding, accrued annual and compensatory leave, and capital lease obligations not otherwise recorded in proprietary, fiduciary, and college and university funds.

D. Budgetary Process - Legislation requires the Governor to present his proposed budget to the General Assembly at the beginning of each annual session. The General Assembly enacts the budget through passage of specific departmental appropriations, the sum of which may not exceed estimated revenues. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the state's financial plan for the coming year.

Budgetary control is maintained at the departmental level. Budget revisions during the year, reflecting program changes or intradepartmental transfers of an administrative nature, may be effected with certain executive and legislative branch approval. Only the legislature, however, may transfer appropriations between departments.

Unencumbered appropriations lapse at the end of each fiscal year. In order to provide sufficient funding for several programs during the year, supplemental appropriations of $15.9 million were required.

The state's annual budget is prepared on the modified accrual basis of accounting with several exceptions, principally the effect of encumbrance and contract obligations. Because these exceptions represent departures from generally accepted accounting principles (GAAP), actual amounts in the accompanying budgetary comparison statement are presented on the budgetary basis. A reconciliation of the differences between the budgetary and GAAP bases is presented in Note 2B. The budgetary comparison statement includes the General Fund and all Special Revenue Funds.

E. Cash and Cash Equivalents - In addition to bank accounts and petty cash, this classification includes all short-term investments such as certificates of deposit, repurchase agreements and U. S. Treasury bills, bonds and notes. These investments are stated at cost which at June 30, 1986 approximated market. Collateral, as required by law, is pledged by the various banks and government securities dealers to guarantee state funds placed with them. In addition, the state is custodian for other securities, not reported in the accompanying financial statements, which collateralize contractor/vendor performance.

F. Investments - This classification includes long-term investments, principally the Pension Trust Fund portfolio, which are stated at cost or amortized cost aggregating $4.4 billion. At June 30, 1986 the market value of these investments approximated $5.2 billion. Debt securities included in this classification are expected to be held to maturity and redeemed at face value.

G. Receivables - Receivables in the state's governmental and fiduciary funds primarily consist of interest and federal revenues, both recorded when earned. The remaining governmental fund revenues are not considered susceptible to accrual prior to receipt; accordingly, most taxes, licenses, fees, permits and similar revenues are recognized on the cash basis. Certain Trust Fund receivables of $113 million, representing taxes and benefit overpayments, have been reduced by a $13 million allowance for uncollectibles. Receivables in all other funds have arisen in the ordinary course of business. College and University receivables of $131 million have been reduced by a $26 million uncollectible allowance.

H. Interfund Transactions - The state basically has four types of interfund transactions, as follows:

1. Services rendered and employee benefit contributions. These transactions are accounted for as revenues, expenditures or expenses in the funds involved.
2. Operating appropriations/subsidies. These are accounted for as operating transfers in the funds involved.
3. Equity contributions. These are accounted for as equity transfers (additions to or deductions from beginning governmental fund balances or proprietary fund contributed capital).
4. College and university interfund borrowings. These transactions represent borrowings of a temporary nature and are reported as assets of the college and university fund making the advance and as liabilities of the fund receiving the advance.

The composition of the state's interfund receivables and payables at June 30, 1986 is presented in Note 2F.

I. Inventories - Inventories of materials and supplies are determined by physical count and are valued at the lower of cost (principally average cost) or market.

J. Fixed Assets and Depreciation - General fixed assets are presented in the accompanying financial statements at cost or estimated historical cost. Donated fixed assets are stated at fair market value at the time of donation. Interest during construction has not been capitalized. Also, certain public domain fixed assets (including highways, bridges, highway lands and rights-of-way) are not capitalized. No depreciation is provided on general fixed assets.

Enterprise, Internal Service and Nonexpendable Trust Fund fixed assets are stated at cost. They are being depreciated principally on a straight-line basis over estimated useful lives ranging from 20 to 50 years for Structures and Improvements and 5 to 10 years for Machinery and Equipment. Certain state land and buildings, headquartering several proprietary operations, are reported in the General Fixed Assets Account Group at cost or estimated historical cost as described above. Because of the advanced age of the buildings involved, the omission of these fixed assets and related depreciation is not deemed material to financial position or results of operations of the applicable Enterprise and Internal Service Funds.

Generally, College and University Fund fixed assets are stated at cost and are not depreciated. Because of the magnitude of library holdings, however, it has been the state's policy to value library books at a standard amount per volume, currently $20, which approximates cost.

A statement of changes in general fixed assets for the year ended June 30, 1986 is presented in Note 2D.

K. Accumulated Unpaid Vacation and Sick Pay - The state's liability for accumulated unpaid annual and compensatory leave is reported in the accompanying General Long-Term Obligations Account Group for all governmental fund types. In the proprietary fund types and the college and university funds, this obligation is reported as a current liability.

There is no liability in the accompanying financial statements for unpaid accumulated sick leave since it is the state's policy to record the cost of sick leave only when paid. See Note 9A for disclosure of the amount of this contingency.

L. Fund Balance Reserves and Designations - The state's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditure or (2) legally segregated for a specific future use. In the accompanying Combined Balance Sheet, reserves for related assets such as inventories and petty cash are examples of the former. Reserves for encumbrances, contracts, continuing appropriations and other specific purposes are examples of the latter.

Specific purpose reserves represent current and past legislative appropriations requiring year-end segregation. A summary of the nature and purpose of these reserves at June 30, 1986 by fund type follows (expressed in thousands).

Reserved for Other Specific Purposes	General	Special Revenue	Capital Projects	Trust and Agency	College and University
Casualty Losses	$ 5,000				
Capital Outlay			$350,074		$ 88,009
Highway Construction		$ 64,957			
Wildlife Resources Program	3,200	11,723			
Hazardous Waste Program		8,011			
Abandoned Land Program		1,876			
Unemployment Benefits				$ 455,390	
Pension Benefits				4,709,933	
Restricted Gifts, Grants and Contracts					155,178
Student Loan Program				13,731	
Higher Education Chairs of Excellence				3,711	
Other Non-Lapsing and Special Revenue Programs	3,487	4,414			
Totals	$11,687	$ 90,981	$350,074	$5,182,765	$ 243,187

The state's fund balance designations reflect tentative plans for future use of financial resources. The General Fund designation for revenue fluctuations has been established as protection in the event of future revenue shortfalls or expenditure overruns. The designation for other specific purposes represents the following appropriations made by the Legislature to carry out tentative managerial plans for fiscal year 1987 (expressed in thousands):

Capital Outlay	$ 27,100
Chairs of Excellence	15,000
Local Bridges	10,000
Saturn Training	10,000
Tennessee Venture Capital Corporation	5,000
Other	2,390
	$ 69,490

M. Totals (Memorandum Only) - The "Totals (Memorandum Only)" column represents an aggregation of the individual combined financial statements. The totals column is presented for overview informational purposes and does not represent consolidated financial information.

NOTE 2 - OTHER ACCOUNTING DISCLOSURES

A. Individual Fund Deficits - Although the following five individual funds have retained earnings deficits at June 30, 1986 (expressed in thousands), only one, the Claims Award Fund, has a negative fund equity position at that date:

Enterprise Funds		Internal Service Funds		
Federal Property Utilization	State Employees Cafeteria	Claims Award	Building Management	Communications Management
$ (162)	$ (217)	$(5,922)	$ (1,249)	$ (549)

The Claims Award Fund was established in 1985 to self-insure the state against third party liability and workmen's compensation exposure. A 1985 actuarial study estimated the state's probable losses through June 30, 1986 on an occurrence funding basis. The actuary further recommended interagency billing rates necessary to fund these losses. Accordingly, charges have been made to the various state agencies in amounts which, together with investment income anticipated over the payout period, will be sufficient to fully fund estimated claims when eventually paid. In the event actual claims loss experience exceeds the amounts actuarially determined, agency billing rates will be re-evaluated. The net operating loss in this fund for the year ended June 30, 1986 was $761 thousand. Increases in fees and charges for services and products are expected to eliminate deficits in the Enterprise Funds and the building and communications management funds in fiscal years 1987 and beyond.

B. Budgetary Basis vs. GAAP - The accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund and All Special Revenue Fund Types presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since the budgetary and GAAP presentations of actual data differ, a reconciliation of the two is presented below (expressed in thousands).

	General Fund	All Special Revenue Funds
Fund Balances (Budgetary Basis), June 30, 1986	$ 157,263	$ 42,678
Add:		
Reserve for encumbrances and contracts	37,239	139,651
Unbudgeted court fee income	122	
Highway construction appropriations carried forward		64,957
Fund Balances (GAAP Basis), June 30, 1986	$ 194,624	$ 247,286

The budget and actual statement indicates that the legally authorized expenditure level for the Department of Health and Environment was exceeded by $37.6 million for the fiscal year. The burgeoning Medicaid program, which required a substantial year-end accrual for estimated incurred but unpaid claims, was the principal reason for this unfavorable variance which, in turn, contributed to the reduced fund balance designation for revenue fluctuations.

C. Fund Equity Restatement - During fiscal year 1986 the state effected several changes in accounting and reporting in order to more closely conform with generally accepted accounting principles. Changes included (1) reclassification of the Claims Award Fund from an Expendable Trust Fund to an Internal Service Fund, and the reporting of losses therein on an actuarially determined basis, (2) reporting of balances of the state's deferred compensation plan, adopted under provisions of Internal Revenue Code Section 457 and formerly disclosed by footnote only, in an Agency Fund; and (3) correction of the prior year overstatement of College and University Funds Unexpended Plant fund balance.

These changes have been reported in the accompanying financial statements by restating beginning fund equity as shown below (expressed in thousands). Corresponding restatement of 1985 amounts likewise has been made to reflect the retroactive application of the adjustments.

	Internal Service Funds	Trust and Agency Funds	College and University Funds	All Fund Types and Account Groups Totals (Memorandum Only)
Fund Equity as previously reported, June 30, 1985	$ 52,092	$4,417,075	$ 1,585,043	$ 7,617,268
Reclassification of Claims Award Fund	7,659	(7,659)		
Accrual of probable claims losses	(13,820)			(13,820)
Overstatement of Unexpended Plant revenue			(7,159)	(7,159)
Fund Equity as restated, June 30, 1985	$ 45,931	$4,409,416	$ 1,577,884	$ 7,596,289

The effect of the foregoing items on previously reported revenues and expenses was material only to the Internal Service Funds, as follows (expressed in thousands):

	Internal Service Funds		
	As Previously Reported	Retroactive Changes	As Restated
Fund Equity, June 30, 1984	$ 38,926		$ 38,926
Operating Revenues	38,077	$ 8,237	46,314
Operating Expenses	35,570	14,398	49,968
Operating Income (Loss)	2,507	(6,161)	(3,654)
Other Changes	10,659		10,659
Net Change in Fund Equity	13,166	(6,161)	7,005
Fund Equity, June 30, 1985	$ 52,092	$ (6,161)	$ 45,931

D. General Fixed Assets - A statement of changes in general fixed assets for the year ended June 30, 1986 is shown below (expressed in thousands).

	Land	Structures and Improvements	Machinery and Equipment	Construction in Progress	Totals
Balance, July 1, 1985	$ 56,316	$ 640,541	$ 167,411	$ 17,754	$ 882,022
Additions	12,528	36,541	31,189	34,722	114,980
Deductions	(3,225)	-	(15,866)	(38,548)	(57,639)
Balance, June 30, 1986	$ 65,619	$ 677,082	$ 182,734	$ 13,928	$ 939,363

E. Segment Information - Segment financial information for the state's Enterprise Funds for the year ended June 30, 1986 is presented below (expressed in thousands). These enterprise funds provide the following types of goods or services (in the order shown below): Housing loans, local government loans, sewage treatment loans, inactive, federal property distribution, and food service.

	Tenn. Housing Develop. Agency	Local Develop. Authority	State Loan Program	Housing Rehab. Corp.	Federal Property Utiliz.	State Employ. Cafeteria	Totals
Operating Revenues	$ 105,335	$ 8,568	$ 4,553	$ 39	$ 828	$ 756	$ 119,879
Depreciation and Amortization	356				26	5	387
Operating Income (Loss)	11,074	678	373	39	(73)	(48)	12,043
Operating Grants, Entitlements, and Shared Revenues	17,584						17,584
Net Income (Loss)	11,209	1,678	373	39	(73)	(48)	13,178
Property, Plant and Equipment Additions	4				30		34
Net Working Capital	77,415	(5,554)	7,228	530	116	(15)	79,720
Total Assets	1,095,227	130,303	75,977	532	438	97	1,302,574
Bonds and Other Long-Term Liabilities Payable from Operating Revenues	923,437	56,178	66,220				1,045,985
Total Equity	77,102	5,186	9,030	530	327	-	88,145

F. Interfund Accounts - A summary of interfund receivables and payables at June 30, 1986 is shown below (expressed in thousands).

	RECEIVABLES												
				Entpr.	Internal Service Funds			Trust and Agency Funds				College and	
PAYABLES	Gen. Fund	Spec. Rev. Fund Hwy.	Cap. Proj. Fund	Fund Fed. Prop. Util.	Claims Award	Motor Veh. Mngt.	Build. Mngt.	Empl. Secur.	Pension Trust	Contng. Revenue	Def. Comp.	Univer. Funds	Totals
General						$ 62	$ 6	$ 77	$ 2,390	$ 2,966	$ 105	$ 1,682	$ 7,288
Special Revenue:													
Highway									369	469	18		856
Wildlife Resrcs. Agency	$1,868								42	47	1		1,958
Other									4	4	1		9
Capital Projects												1,787	1,787
Enterprise:													
Housing Devel. Agency									8	10			18
Other									3	4			7
Internal Service:													
Information System Svcs.									26	33	2		62
Motor Vehicle Management	10								3	4			17
General Svcs. Printing									5	7			12
Building Mngt.									1	2			3
Communications Management									2	2			4
Other									2	2			4
Trust and Agency:													
Local Gov't. Investment		$ 667	$7,707									17,228	25,602
Student Assist. Corporation									2	2		105	109
Chairs of Excellence												46	46
College and Univ. Funds				$ 3	$2,716	34				5,769		44	8,566
Totals	$1,878	$ 667	$7,707	$ 3	$2,716	$ 96	$ 6	$ 77	$ 2,857	$ 9,321	$ 128	$20,892	$46,348

NOTE 7 - NOTES, BONDS AND LEASE OBLIGATIONS PAYABLE

Notes and bonds payable at June 30, 1986 are shown below.

	Amount (in Thousands)	
	Notes	Bonds
Capital Projects Fund:		
General obligation bond anticipation notes, renewable to January 1987, at rates ranging from 3.5% to 6.125%	$ 115,800	
Enterprise Funds:		
General obligation bonds, 4.875% to 7.5%, due in generally decreasing amounts of principal and interest ranging from $7 million in 1987 to $1 million in 2010		$ 69,025
Tennessee Local Development Authority revenue bonds, 1985 Series, 10%, due in decreasing amounts of principal and interest from $7 million in 1987 to $1 million in 2015		57,455
Tennessee Local Development Authority revenue bond anticipation notes, 4.3%, due June 1987	62,500	
Tennessee Housing Development Agency mortgage finance program revenue bonds, various Series, 4.35% to 14%, due in generally decreasing amounts of principal and interest ranging from $106 million in 1988 to $34 million in 2018		970,386
	62,500	1,096,866
General Long-Term Debt:		
General obligation bonds, .1% to 8.4%, due in decreasing amounts of principal and interest from $96 million in 1987 to $10 million in 2006		626,379
College and University Funds:		
Endowment Fund notes, due within one year	16	
Capital outlay notes, to 9%, due serially to 1994	24,542	
Tennessee State School Bond Authority bond anticipation notes, interest at 65% of prime rate, due within one year	19,633	
Tennessee State School Bond Authority revenue bonds, various Series, 4.1% to 9.625%, due in decreasing amounts of principal and interest from $20 million in 1987 to $6 million in 2012		213,704
Tennessee State School Bond Authority 1985 daily demand bonds, maturing to 1999		14,700
Tennessee State School Bond Authority 1985 Tax-Exempt Exchangeable Securities, maturing to 2015		37,195
Non-Authority revenue bonds, 2.75% to 5%, due in generally decreasing amounts of principal and interest from $715 thousand in 1987 to $82 thousand in 2005		7,145
	44,191	272,844
Total Notes and Bonds Payable	$ 222,491	$ 1,996,289

The full faith and credit of the state, together with certain tax revenues, are pledged to secure all general obligation notes and bonds listed above. Although the Enterprise Fund general obligation debt is being retired from resources of that fund (State Loan Program Fund), the state remains contingently liable for its payment. The revenue notes and bonds listed above are not obligations of the state. They are secured by pledge of resources from the facilities to which they relate and by certain other revenues, fees and assets of the Tennessee Local Development Authority (TLDA), the Tennessee Housing Development Agency (THDA), the Tennessee State School Bond Authority (TSSBA) and the various colleges and universities.

As indicated above, substantially all notes payable at June 30, 1986 are due within one year. Debt service requirements to maturity for all general obligation and revenue bonds payable at June 30, 1986 are as follows (expressed in thousands):

For the Year(s) Ended June 30	General Obligation Bonds		Revenue Bonds		Total Requirements
	Principal	Interest	Principal	Interest	
1987	$ 62,580	$ 39,840	$ 32,560	$ 105,003	$ 239,983
1988	61,170	37,574	37,518	102,716	238,978
1989	58,590	34,270	39,391	100,128	232,379
1990	58,665	31,039	41,192	97,293	228,189
1991	56,160	27,885	43,534	94,205	221,784
1992-2018	398,430	158,548	1,106,490	1,780,324	3,443,792
	$ 695,595	$ 329,156	$1,300,685	$2,279,669	$ 4,605,105

A summary of changes in general long-term obligations for the year ended June 30, 1986 follows (expressed in thousands).

	Balance, July 1, 1985	General Obligation Bonds Issued	General Obligation Bonds Retired	Other Changes in General Long-Term Obligations	Balance, June 30, 1986
Amount available in Debt Service Fund	$ 3,753			$ (2,118)	$ 1,635
Amount to be Provided for Retirement of Long-Term Debt	476,942	$ 196,000	$ (50,125)	2,118	624,935
General Obligation Debt Payable	480,695	196,000	(50,125)	-	626,570
Accrued Annual and Compensatory Leave	64,807			4,672	69,479
Capital Lease Obligations	91			(24)	67
Total General Long-Term Obligations	$ 545,593	$ 196,000	$ (50,125)	$ 4,648	$ 696,116

Bond sales during the year ended June 30, 1986 included the following issues:

July 1985 - THDA revenue bonds of $182.461 million.
November 1985 - TSSBA revenue bonds of $33.195 million.
June 1986 - General obligation bonds of $196 million.

The $182.461 million THDA bond issue above represents (1) $79.615 million of bonds maturing serially through 1999 at interest rates ranging from 5% to 8.7%; (2) $80.17 million of term bonds due 2004 and 2011, carrying interest rates of 8.125% and 9.125%, requiring increasing sinking fund payments from 2000 through 2011; and (3) $22.676 million of principal appreciation conversion securities, maturing in 2016, at 9.55%, requiring increasing sinking fund payments from 2012 through 2016.

The $33.195 million TSSBA bond issue above represents (1) $3.295 million of bonds maturing serially through 1993 at interest rates ranging from 5.5% to 7.3%; and (2) $29.9 million of tax-exempt exchangeable securities, maturing in 2015, at 7%, requiring increasing sinking fund payments from 1994 to 2015. Beginning November 1988 and semi-annually thereafter, however, each holder of the 7% securities may exercise a one-time election to convert to another interest rate, not to exceed 10%, as established by an independent municipal securities evaluation service pursuant to a prescribed formula.

Proceeds from the $196 million general obligation bond issue, bearing an average interest rate of 6.69%, are being used to fund additional capital facilities, primarily for the Department of Correction and higher education. General obligation bond anticipation notes of $86 million, currently funding certain of these projects, will be retired in December 1986 when due.

Subsequent to June 30, 1986 THDA completed two additional revenue bond sales, one in July for $18 million and one in October for $30 million.

A summary of general obligation bonds authorized and unissued at June 30, 1986 is shown below (expressed in thousands). It is anticipated that a significant amount of these bonds will not be issued but will be cancelled because of sufficient fund balances.

Purpose	Unissued July 1, 1985	Authorized	Sold	Cancelled	Unissued June 30, 1986
Sewage Treatment	$ 20,680				$ 20,680
Waterworks	31,520				31,520
Highway	83,900	$ 45,000		$ 30,900	98,000
Education	47,209	69,308	$ 42,209		74,308
Correction	19,872	131,800	118,052	11,820	21,800
Health and Environment	5,775	90	5,775		90
General Government	21,677	29,600	21,677		29,600
Other	8,287	11,177	8,287		11,177
Totals	$ 238,920	$ 287,975	$ 196,000	$ 42,720	$ 287,375

Lease obligations for facilities and equipment are payable from resources of the General and College and University Funds. Debt service requirements to maturity for all capital lease obligations payable at June 30, 1986 are as follows (expressed in thousands):

For the Year(s) Ended June 30	Lease Obligations Payable
1987	$ 3,472
1988	2,632
1989	1,945
1990	1,718
1991	1,454
1992-1997	2,902
Total	14,123
Less - Interest (4.2% to 15%) and executory costs	(3,054)
	$ 11,069

NOTE 4 - PENSION PLANS

A. Tennessee Consolidated Retirement System - The Tennessee Consolidated Retirement System (TCRS) is a defined benefit retirement plan covering general employees and teachers of the state as well as employees of political subdivisions who have elected coverage. Benefits are determined by a formula using the high five-year average salary and years of service of each employee. Contributions to the system are determined on an actuarial reserve basis and provide funding for both normal and accrued liability costs. The frozen initial liability method, a projected benefit cost method, is used to value the plan. Effective July 1981, pursuant to noncontributory legislation, contributions of up to 5% of the earnable compensation of most classes of general employees, formerly paid by those employees, were assumed by the state. This legislation similarly affected electing political subdivisions and their employees.

It is the policy of the state to fund pension costs accrued. For the year ended June 30, 1986 the state contributed $308.4 million to the plan and state employees and teachers contributed $53.6 million. Political subdivisions contributed $39.9 million and their employees contributed $18.1 million. Employer contributions include funding for a cost-of-living provision and amortization of the accrued liability on an actuarial basis over a 40-year period which began in 1975.

An experience study of the system is conducted every four years, the most recent having been completed as of June 30, 1984. A new set of actuarial assumptions resulted from this study, the most significant being an 8 1/2% interest rate (formerly 7%), an 8% annual salary growth (formerly 6%), and improved mortality rates for active and retired members.

An actuarial valuation is made every two years. The most recent, that as of June 30, 1985, incorporated the new assumptions referred to above. For actuarial purposes, investments were valued using a five-year moving market average for equity securities and amortized cost for debt securities. At June 30, 1985 the net assets of the pension fund exceeded the actuarially computed present value of vested benefits by $302 million, $239 million of which applied to the state and the remainder to political subdivisions. This calculation included the liability associated with a closed group of University of Tennessee faculty who participate in the Teachers Insurance and Annuity Association retirement plan (TIAA-CREF), described in B. below. The unamortized accrued liability of the retirement system, based on the present value of benefits for past and future service, was estimated to be $1.7 billion at June 30, 1985 of which $1.6 billion was attributable to the state and the remainder to political subdivisions.

B. Other than TCRS - Eligible faculty of the various state universities and community colleges may elect to become members of either TIAA-CREF, a privately-administered defined contribution retirement plan, or the TCRS. The state assumes no liability for this group of TIAA-CREF members other than payment of contributions. During the year ended June 30, 1986 the state contributed $20.1 million to the TIAA-CREF plan.

A second, now-closed group of University of Tennessee faculty also participates in TIAA-CREF with certain supplemental benefits guaranteed by the state. Prior to 1978 these guaranteed benefits were funded by the university on a pay-as-you-go basis; they since have been assumed by the TCRS and are included in the June 30, 1985 actuarial calculations disclosed in A. above.

C. Deferred Compensation - The state offers its employees two deferred compensation plans, one established pursuant to IRC Section 457 and the other pursuant to IRC Section 401 (k). All costs of administering and funding these programs are the responsibility of plan participants.

As discussed in Note 2C., Section 457 plan balances have been reported in the accompanying financial statements in an Agency Fund at June 30, 1986. All amounts of compensation deferred under this plan, all property purchased with those amounts, and all income attributable thereto are, until paid or made available to the employee or other beneficiary, solely the property of the state, subject only to claims of the state's general creditors. Participants' rights under the plan are the same as those of general creditors in an amount equal to the fair market value of their deferred accounts. The state has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The state believes it is unlikely that it will use these assets to satisfy such claims in the future.

Since Section 401(k) plan assets remain the property of the contributing employees, they are not presented in the accompanying financial statements. Through June 30, 1986 some $11.5 million, including accumulated interest earnings, had been contributed by participating state employees to those financial institutions administering the plan's various investment options.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

A. Sick Leave - It is the state's policy to record the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee is absent due to illness, injury or related family death, there was no liability for sick leave at June 30, 1986. The estimated accumulated amount of unused sick leave at that date was $322 million.

B. Leases - The state has entered into various operating leases for land, buildings and equipment. All leases contain termination clauses providing for cancellation after 30, 60 or 90 days' written notice to lessors. In addition, all leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the legislature. It is expected that in the normal course of business most of these leases will be replaced by similar leases. Expenditures for rent under leases for the years ended June 30, 1986 and 1985 amounted to $27.9 million and $22.2 million, respectively.

C. Highway Construction Projects - At June 30, 1986 the Department of Transportation had contractual commitments of approximately $211 million for construction of various highway projects. Funding of these future expenditures is expected to be provided from federal grants ($204 million) and general obligation bond proceeds ($7 million).

D. Litigation - The most significant recent litigation against the state, a case involving inadequate prison facilities, has been concluded. Relief granted by the court enables the state to remedy these conditions over an extended period of time. The flexibility allowed by the court will permit the state to carry out the remedial plan without material adverse impact on the state's financial position. The state is also party to numerous other legal proceedings, many of which normally recur in governmental operations. In the opinions of the Attorney General and General Counsel for the University of Tennessee system, final settlement of these matters will have no material effect on the accompanying financial statements.

E. Federal Grants - The state has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

F. Loan Guarantees - The Tennessee Student Assistance Corporation (TSAC), a Nonexpendable Trust Fund entity, guarantees loans made to students. The U. S. Department of Education (USDE) reinsures the student loans up to 100% of their principal amounts. At June 30, 1986 TSAC was guarantor of $470 million in student loans, substantially all of which were reinsured by the USDE. The state has no obligation under these student loan guarantees in the event of default.

G. Other - The state has custodial responsibility over some $59 million of U.S. Department of Agriculture food stamp coupons for which the state is liable in the event of loss.

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Combining and Individual Fund Financial Statements

General Fund

The General Fund is maintained to account for all governmental financial resources and transactions not accounted for in another fund.

Budgetary Procedures and Control

Constitutional Spending Limitation

STATE OF TENNESSEE
BALANCE SHEET
GENERAL FUND
JUNE 30, 1986

(Expressed in Thousands)

ASSETS	JUNE 30, 1986	JUNE 30, 1985
CASH AND CASH EQUIVALENTS	$ 283,911	$ 341,645
RECEIVABLES:		
DUE FROM OTHER GOVERNMENTS	154,647	128,278
INTEREST	32,869	22,427
OTHER	5,051	4,521
INTERFUND RECEIVABLES (Note 2)	1,878	
TOTAL ASSETS	$ 478,356	$ 496,871
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 51,433	$ 71,639
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	204,316	136,545
ACCRUED PAYROLL AND RELATED DEDUCTIONS	20,149	20,058
INTERFUND PAYABLES (Note 2)	7,288	4,940
DEFERRED REVENUE	485	537
DEPOSITS PAYABLE	61	33
TOTAL LIABILITIES	283,732	233,752
FUND BALANCE (Notes 1 and 2):		
RESERVED FOR ENCUMBRANCES AND CONTRACTS	37,239	13,593
RESERVED FOR CONTINUING APPROPRIATIONS	23,880	39,944
RESERVED FOR OTHER SPECIFIC PURPOSES	11,687	9,144
UNRESERVED:		
DESIGNATED FOR REVENUE FLUCTUATIONS	52,100	75,000
DESIGNATED FOR CLAIMS AGAINST THE STATE		3,000
DESIGNATED FOR OTHER SPECIFIC PURPOSES	69,490	122,057
UNDESIGNATED	228	381
TOTAL FUND BALANCE	194,624	263,119
TOTAL LIABILITIES AND FUND BALANCE	$478,356	$496,871

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1986	JUNE 30, 1985
REVENUES:		
TAXES	$2,596,094	$2,416,622
LICENSES, FEES AND PERMITS	37,765	41,149
INTEREST ON INVESTMENTS	79,664	77,935
FEDERAL	1,245,695	1,082,807
DEPARTMENTAL SERVICES	258,301	222,242
OTHER	7,886	5,733
TOTAL REVENUES	4,225,405	3,846,488
EXPENDITURES:		
GENERAL GOVERNMENT	167,254	152,932
EDUCATION	1,270,074	1,166,900
HEALTH AND SOCIAL SERVICES	1,645,587	1,378,644
LAW, JUSTICE AND PUBLIC SAFETY	300,158	256,135
RECREATION AND RESOURCES DEVELOPMENT	124,795	119,215
REGULATION OF BUSINESS AND PROFESSIONS	20,124	15,920
TOTAL EXPENDITURES	3,527,992	3,089,746
EXCESS OF REVENUES OVER EXPENDITURES	697,413	756,742
OTHER FINANCING USES:		
OPERATING TRANSFERS TO:		
SPECIAL REVENUE FUNDS	(14,279)	(2,874)
DEBT SERVICE FUND	(1,800)	(2,860)
CAPITAL PROJECTS FUND	(185,157)	(90,557)
ENTERPRISE FUNDS	(1,000)	(1,000)
INTERNAL SERVICE FUNDS		(2)
NONEXPENDABLE TRUST FUND	(14,707)	(57,333)
COLLEGE AND UNIVERSITY FUNDS	(536,598)	(485,198)
TOTAL OTHER FINANCING USES	(753,541)	(639,824)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	(56,128)	116,918
FUND BALANCE, JULY 1	263,119	172,942
EQUITY TRANSFERS FROM (TO):		
INTERNAL SERVICE FUNDS	133	(9,616)
ENTERPRISE FUNDS	(2,500)	
NONEXPENDABLE TRUST FUND	(10,000)	(17,125)
FUND BALANCE, JUNE 30 (Note 2)	$ 194,624	$ 263,119

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
SCHEDULE OF REVENUES BY SOURCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

REVENUES BY SOURCE	FOR THE YEAR ENDED JUNE 30, 1986	JUNE 30, 1985
TAXES:		
SALES AND USE	$1,754,840	$1,641,757
GASOLINE	3,623	2,585
MOTOR VEHICLE REGISTRATION	6,671	3,795
INCOME	46,057	42,240
PRIVILEGE	49,418	41,433
GROSS RECEIPTS	109,787	111,060
BEER	7,916	7,869
ALCOHOLIC BEVERAGE	24,019	24,650
MIXED DRINK	10,310	9,962
FRANCHISE	127,624	98,722
EXCISE	220,790	212,883
INHERITANCE AND ESTATE	28,812	32,939
TOBACCO	80,444	80,135
COIN-OPERATED AMUSEMENT	1,891	2,825
BUSINESS	10,362	8,754
INSURANCE COMPANIES PREMIUM	103,402	85,738
RETALIATORY	3,403	2,690
OTHER	6,725	6,585
	2,596,094	2,416,622
LICENSES, FEES AND PERMITS:		
MOTOR VEHICLE TITLE REGISTRATION FEES	3,830	3,630
DRIVERS LICENSES	13,314	18,116
ARRESTS, FINES AND FEES	3,571	3,136
REGULATORY BOARD FEES	6,933	6,852
OTHER	10,117	9,415
	37,765	41,149
INTEREST ON INVESTMENTS	79,664	77,935
FEDERAL - EARNED BY STATE DEPARTMENTS	1,245,695	1,082,807
DEPARTMENTAL SERVICES:		
CHARGES TO THE PUBLIC	81,529	73,455
INTERDEPARTMENTAL CHARGES	154,090	127,806
CHARGES TO CITIES, COUNTIES, ETC.	22,682	20,981
	258,301	222,242
OTHER	7,886	5,733
TOTAL REVENUES BY SOURCE	$4,225,405	$3,846,488

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
SCHEDULE OF EXPENDITURES BY FUNCTION AND DEPARTMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

EXPENDITURES BY FUNCTION AND DEPARTMENT	FOR THE YEAR ENDED JUNE 30, 1986	JUNE 30, 1985
GENERAL GOVERNMENT		
LEGISLATIVE	$ 10,225	$ 9,197
SECRETARY OF STATE	12,968	12,325
COMPTROLLER	24,158	22,077
TREASURER	6,268	10,104
GOVERNOR	3,780	2,629
COMMISSIONS	33,351	29,437
FINANCE AND ADMINISTRATION	6,213	4,489
PERSONNEL	4,625	3,856
GENERAL SERVICES	16,213	15,048
REVENUE	33,465	30,986
OTHER	15,988	12,784
	167,254	152,932
EDUCATION	1,270,074	1,166,960
HEALTH AND SOCIAL SERVICES		
VETERANS AFFAIRS	1,143	1,049
EMPLOYMENT SECURITY	43,046	40,738
LABOR	67,336	55,389
MENTAL HEALTH AND MENTAL RETARDATION	222,150	199,821
HEALTH AND ENVIRONMENT	945,538	747,548
HUMAN SERVICES	366,374	334,099
	1,645,587	1,378,644
LAW, JUSTICE AND PUBLIC SAFETY		
JUDICIAL	42,504	39,259
CORRECTION	185,323	154,140
MILITARY	14,019	14,979
BUREAU OF CRIMINAL INVESTIGATION	8,819	7,693
SAFETY	49,493	40,064
	300,158	256,135
RECREATION AND RESOURCES DEVELOPMENT		
AGRICULTURE	12,492	12,402
TOURIST DEVELOPMENT	10,603	6,904
CONSERVATION	56,913	50,931
ECONOMIC AND COMMUNITY DEVELOPMENT	44,787	48,978
	124,795	119,215
REGULATION OF BUSINESS AND PROFESSIONS		
COMMERCE AND INSURANCE	16,839	12,753
FINANCIAL INSTITUTIONS	3,285	3,167
	20,124	15,920
TOTAL EXPENDITURES BY FUNCTION AND DEPARTMENT	$3,527,992	$3,089,746

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
SCHEDULE OF EXPENDITURES BY OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

EXPENDITURES BY OBJECT	FOR THE YEAR ENDED JUNE 30, 1986	JUNE 30, 1985
PERSONAL SERVICES	$ 576,079	$ 521,069
EMPLOYEE BENEFITS	134,516	121,951
TRAVEL	28,165	25,022
PRINTING, DUPLICATING AND FILM PROCESSING	11,149	10,405
UTILITIES AND FUEL	26,778	26,339
COMMUNICATION AND SHIPPING COSTS	25,698	22,265
MAINTENANCE, REPAIRS AND SERVICES	14,525	13,028
PROFESSIONAL AND ADMINISTRATIVE SERVICES	180,864	142,980
SUPPLIES	130,281	108,505
RENTALS AND INSURANCE	29,291	25,270
MOTOR VEHICLE OPERATION	4,588	4,708
AWARDS AND INDEMNITIES	4,161	7,725
GRANTS AND SUBSIDIES	2,330,436	2,035,434
ITEMS FOR RESALE, REISSUE OR MANUFACTURE	11,470	11,152
EQUIPMENT	18,875	12,755
LAND		120
BUILDINGS	526	744
IMPROVEMENTS OTHER THAN BUILDINGS	590	274
TOTAL EXPENDITURES BY OBJECT	$ 3,527,992	$ 3,089,746

See accompanying Notes to the Financial Statements.

Special Revenue Funds

Specific revenues, earmarked to finance particular activities of government, are accounted for in the Special Revenue Funds. A brief description of each fund follows.

Highway Fund - This fund is maintained to account for revenues and expenditures associated with programs of the Department of Transportation. Funding of these programs is accomplished primarily from dedicated highway user taxes and funds received from the various federal transportation agencies. All federal funds accruing to the Highway Fund are received on a reimbursement basis covering costs incurred. It is the state's practice to appropriate matching dollars for jointly funded projects in the year of federal apportionment. This front-end state funding, together with multi-year disbursements on most projects, results in large cash balances in this fund. The State Treasurer invests these moneys, income from which is deposited in the General Fund.

Wildlife Resources Agency - This agency is responsible for the preservation, management, enhancement and protection of the state's wildlife resources and their environs. An additional responsibility is the enforcement of boating safety on state lakes and streams. Revenues are derived principally from hunting and fishing licenses, fees and permits.

Public Service Commission - The commission is responsible for executing and enforcing all statutes governing railroads, utilities and motor carriers. They also assess these groups for ad valorem taxes. Revenues are derived principally from filing and inspection fees.

Criminal Injuries Compensation - The Claims Commission administers this fund for the award of compensation, not to exceed $10,000, to victims (or their dependents) who suffer personal injury or death as a result of a criminal act. The primary revenue source is the privilege tax levied by the courts at the time of conviction of the offender.

Other Special Revenue Funds - There are five agencies included in this group, as follows:

1. Abandoned Land Program - This program is administered by the Department of Health and Environment. Revenues collected from surface mining permit fees and forfeited performance bonds are used to reclaim and restore lands affected by abandoned mining operations;

2. Driver Education - This program is designed and coordinated by the Departments of Education and Safety. Highway safety is promoted by providing driver education, instruction and training in schools, colleges and community organizations. The $2 fee for moving traffic violations is the source of funding for this program;

3. Hazardous Waste - This program is administered by the Department of Health and Environment. Revenues collected from applicants and holders of storage, treatment or disposal permits of hazardous waste are used to supervise the construction, operation, maintenance, closure and, where necessary, the post-closure care of hazardous waste facilities;

4. Real Estate Commission - This program is administered by the Department of Commerce and Insurance. Revenues are collected from fees assessed on licenses to real estate brokers or affiliate real estate brokers. These revenues are used to pay court judgments for violations by brokers of the act creating the Real Estate Commission or any rules promulgated by the Commission;

5. Drunk Drivers Victim Compensation - The Claims Commission administers this fund for the award of compensation, not to exceed $2,000, to victims (or their dependents) who suffer personal injury or death as a result of operator's intoxication. The primary revenue source is the privilege tax levied by the courts at the time of conviction of the offender.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
JUNE 30, 1986

(Expressed in Thousands)

ASSETS	HIGHWAY	WILDLIFE RESOURCES AGENCY	PUBLIC SERVICE COMMISSION	CRIMINAL INJURIES COMPENSATION	OTHER	TOTALS JUNE 30, 1986	TOTALS JUNE 30, 1985
CASH AND CASH EQUIVALENTS	$ 261,042	$ 15,213	$ 1,136	$ 2,250	$ 12,214	$ 291,855	$ 262,461
RECEIVABLES	32,342	221	517		1	33,081	62,346
INTERFUND RECEIVABLES (Note 2)	667					667	2,800
INVENTORIES, at cost	5,892					5,892	5,799
TOTAL ASSETS	$ 299,943	$ 15,434	$ 1,653	$ 2,250	$ 12,215	$ 331,495	$ 333,406
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE	$ 18,187	$ 419	$ 147	$ 326	$ 22	$ 19,101	$ 23,308
ACCOUNTS PAYABLE AND ACCRUALS	43,635	778	135	758	225	45,531	58,710
INTERFUND PAYABLES (Note 2)	856	1,958			9	2,823	891
DEFERRED REVENUE	9,760					9,760	2,873
DEPOSITS PAYABLE	6,993		1			6,994	7,079
TOTAL LIABILITIES	79,431	3,155	283	1,084	256	84,209	92,861
FUND BALANCES (Notes 1 and 2):							
RESERVED FOR INVENTORIES	5,892					5,892	5,799
RESERVED FOR ENCUMBRANCES AND CONTRACTS	138,901	556	85		109	139,651	148,853
RESERVED FOR OTHER SPECIFIC PURPOSES	64,957	11,723	1,285	1,166	11,850	90,981	75,351
UNRESERVED	10,762					10,762	10,542
TOTAL FUND BALANCES	220,512	12,279	1,370	1,166	11,959	247,286	240,545
TOTAL LIABILITIES AND FUND BALANCES	$ 299,943	$ 15,434	$ 1,653	$ 2,250	$ 12,215	$ 331,495	$ 333,406

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	HIGHWAY	WILDLIFE RESOURCES AGENCY	PUBLIC SERVICE COMMISSION	CRIMINAL INJURIES COMPENSATION	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1986	TOTALS FOR THE YEAR ENDED JUNE 30, 1985
REVENUES:							
TAXES	$ 290,982	$ 389				$ 291,371	$ 254,508
LICENSES, FEES AND PERMITS	481	13,443	$ 3,939	$ 3,984	$ 2,323	24,170	20,231
FEDERAL	329,081	3,128	1,110	495	315	334,129	283,215
DEPARTMENTAL SERVICES	7,152	1,401	1,147		1,662	11,362	12,160
OTHER	4,900					4,900	4,548
TOTAL REVENUES	632,596	18,361	6,196	4,479	4,300	665,932	587,662
EXPENDITURES:							
GENERAL GOVERNMENT			6,237	3,996		10,233	8,683
EDUCATION					1,564	1,564	979
HEALTH AND SOCIAL SERVICES					2,176	2,176	1,942
LAW, JUSTICE AND PUBLIC SAFETY					191	191	198
RECREATION AND RESOURCES DEVELOPMENT		19,409				19,409	17,009
REGULATION OF BUSINESS AND PROFESSIONS					3	3	
TRANSPORTATION	654,294					654,294	606,783
TOTAL EXPENDITURES	654,294	19,409	6,237	3,996	3,934	687,870	635,594
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(21,698)	(1,048)	(41)	483	366	(21,938)	(47,932)
OTHER FINANCING SOURCES:							
OPERATING TRANSFER FROM GENERAL FUND	10,000	325		450	3,504	14,279	8,474
OPERATING TRANSFER FROM DEBT SERVICE FUND	14,400					14,400	14,020
TOTAL OTHER FINANCING SOURCES	24,400	325		450	3,504	28,679	22,494
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	2,702	(723)	(41)	933	3,870	6,741	(25,438)
FUND BALANCES, JULY 1	217,810	12,907	1,411	233	8,089	240,545	271,543
FUND BALANCES, JUNE 30 (Note 2)	$ 220,512	$ 12,279	$ 1,370	$ 1,166	$ 11,959	$ 247,286	$ 246,105

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS
JUNE 30, 1986

(Expressed in Thousands)

ASSETS	ABANDONED LAND PROGRAM	DRIVER EDUCATION	HAZARDOUS WASTE	REAL ESTATE COMMISSION	DRUNK DRIVERS VICTIM COMPENSATION	TOTALS JUNE 30, 1986	TOTALS JUNE 30, 1985
CASH AND CASH EQUIVALENTS	$ 1,900	$ 824	$ 8,324	$ 816	$ 450	$ 12,214	$ 8,320
RECEIVABLES			1			1	
TOTAL ASSETS	$ 1,900	$ 824	$ 8,325	$ 816	$ 450	$ 12,215	$ 8,320
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE	$ 1	$ 3	$ 18			$ 22	$ 97
ACCOUNTS PAYABLE AND ACCRUALS	22	14	185			225	169
INTERFUND PAYABLES (Note 2)	1		8			9	5
TOTAL LIABILITIES	24	21	211			256	231
FUND BALANCES (Note 1):							
RESERVED FOR ENCUMBRANCES AND CONTRACTS		106	3			109	25
RESERVED FOR OTHER SPECIFIC PURPOSES	1,876	697	8,011	$ 816	$ 450	11,850	8,064
TOTAL FUND BALANCES	1,876	803	8,014	816	450	11,959	8,089
TOTAL LIABILITIES AND FUND BALANCES	$ 1,900	$ 824	$ 8,225	$ 816	$ 450	$ 12,215	$ 8,320

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	ABANDONED LAND PROGRAM	DRIVER EDUCATION	HAZARDOUS WASTE	REAL ESTATE COMMISSION	DRUNK DRIVERS VICTIM COMPENSATION	TOTALS FOR THE YEAR ENDED JUNE 30, 1986	TOTALS FOR THE YEAR ENDED JUNE 30, 1985
REVENUES:							
LICENSES, FEES AND PERMITS	$ 531	$1,599		$ 193		$ 2,323	$ 2,381
FEDERAL			$ 315			315	197
DEPARTMENTAL SERVICES			1,611	51		1,662	1,319
TOTAL REVENUES	531	1,599	1,926	244		4,300	3,897
EXPENDITURES:							
EDUCATION		1,564				1,564	979
HEALTH AND SOCIAL SERVICES	488		1,688			2,176	1,942
LAW, JUSTICE AND PUBLIC SAFETY		191				191	108
REGULATIONS OF BUSINESS AND PROFESSIONS				3		3	
TOTAL EXPENDITURES	488	1,755	1,688	3		3,934	3,029
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	43	(156)	238	241		366	868
OTHER FINANCING SOURCES:							
OPERATING TRANSFERS FROM GENERAL FUND			3,054		$ 450	3,504	2,683
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	43	(156)	3,292	241	450	3,870	3,551
FUND BALANCES, JULY 1	1,833	959	4,722	575	-	8,089	4,538
FUND BALANCES, JUNE 30 (Note 2)	$ 1,876	$ 803	$ 8,014	$ 816	$ 450	$ 11,959	$ 8,089

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
BALANCE SHEET
HIGHWAY FUND
JUNE 30, 1986

(Expressed in Thousands)

ASSETS	JUNE 30, 1986	JUNE 30, 1985
CASH AND CASH EQUIVALENTS	$ 261,042	$ 238,247
ACCOUNTS RECEIVABLE	8	3
DUE FROM OTHER GOVERNMENTS	32,334	61,913
INTERFUND RECEIVABLES (Note 2)	667	2,759
INVENTORIES, at cost	5,892	5,799
TOTAL ASSETS	$ 299,943	$ 308,721
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 18,187	$ 22,848
ACCOUNTS PAYABLE AND ACCRUALS:		
ACCOUNTS PAYABLE	37,104	50,983
CONTRACT RETAINAGE	5,443	3,252
ACCRUED PAYROLL AND RELATED DEDUCTIONS	1,088	3,078
INTERFUND PAYABLES (Note 2)	856	799
DEFERRED REVENUE	9,760	2,873
DEPOSITS PAYABLE	6,993	7,078
TOTAL LIABILITIES	79,431	90,911
FUND BALANCE (Note 1):		
RESERVED FOR INVENTORIES	5,892	5,799
RESERVED FOR ENCUMBRANCES AND CONTRACTS	138,901	148,274
RESERVED FOR OTHER SPECIFIC PURPOSES:		
INTERSTATE HIGHWAYS	16,548	9,978
PRIMARY SYSTEM	6,066	8,316
URBAN HIGHWAYS	843	843
SECONDARY ROADS	6,969	3,931
APPALACHIA HIGHWAYS AND ACCESS ROUTES	1,139	3,567
RURAL ROADS	3,328	3,771
METROPOLITAN URBAN SYSTEMS	2,757	930
BRIDGE REPLACEMENT	9,654	4,941
HIGHWAY SAFETY CONSTRUCTION	5,786	7,231
OTHERS	11,867	9,687
UNRESERVED	10,762	10,542
TOTAL FUND BALANCE	220,512	217,810
TOTAL LIABILITIES AND FUND BALANCE	$ 299,943	$ 308,721

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1986	JUNE 30, 1985
REVENUES:		
TAXES	**$ 290,982**	$ 254,246
LICENSES	**481**	474
FEDERAL	**329,081**	279,245
DEPARTMENTAL SERVICES	**7,152**	18,676
OTHER	**4,900**	4,540
TOTAL REVENUES	**632,596**	557,181
EXPENDITURES:		
INTERSTATE HIGHWAY CONSTRUCTION	**149,076**	130,628
PRIMARY SYSTEM CONSTRUCTION	**66,265**	59,185
APPALACHIA CONSTRUCTION	**17,756**	18,299
STATE SYSTEM CONSTRUCTION	**65,278**	56,422
OTHER CONSTRUCTION	**169,179**	159,263
MAINTENANCE AND MARKING	**129,611**	129,811
ADMINISTRATIVE AND OTHER	**57,129**	53,175
TOTAL EXPENDITURES	**654,294**	606,783
EXCESS OF EXPENDITURES OVER REVENUES	**(21,698)**	(49,602)
OTHER FINANCING SOURCES:		
OPERATING TRANSFER FROM GENERAL FUND	**10,000**	
OPERATING TRANSFER FROM DEBT SERVICE FUND	**14,400**	14,020
TOTAL OTHER FINANCING SOURCES	**24,400**	14,020
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	**2,702**	(35,582)
FUND BALANCE, JULY 1	**217,810**	253,392
FUND BALANCE, JUNE 30 (Note 2)	**$ 220,512**	$ 217,810

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
SCHEDULE OF REVENUES BY SOURCE
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

REVENUES BY SOURCE	FOR THE YEAR ENDED JUNE 30, 1986	JUNE 30, 1985
TAXES:		
GASOLINE	$ 110,402	$ 80,627
MOTOR FUEL	38,940	36,794
GASOLINE INSPECTION	21,352	19,831
MOTOR VEHICLE REGISTRATION	117,286	114,102
GROSS RECEIPTS TAX	1,482	1,397
BEER TAX	1,520	1,495
	290,982	254,246
OUTDOOR ADVERTISING LICENSES	481	474
FEDERAL	329,081	279,245
DEPARTMENTAL SERVICES:		
CITIES AND COUNTIES	3,471	14,894
STATE AGENCIES	3,681	3,782
OTHER - SALE OF EQUIPMENT, PLANS, ETC.	4,900	4,540
TOTAL REVENUES BY SOURCE	$ 632,596	$ 557,181

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
SCHEDULE OF EXPENDITURES BY OBJECT
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

EXPENDITURES BY OBJECT	FOR THE YEAR ENDED JUNE 30, 1986	JUNE 30, 1985
PERSONAL SERVICES	$ 87,295	$ 83,575
EMPLOYEE BENEFITS	21,536	21,015
TRAVEL	763	775
PRINTING, DUPLICATING AND FILM PROCESSING	621	546
UTILITIES AND FUEL	1,258	1,239
COMMUNICATION AND SHIPPING COSTS	1,288	1,227
MAINTENANCE, REPAIRS AND SERVICES	1,021	694
PROFESSIONAL AND ADMINISTRATIVE SERVICES	14,392	12,698
SUPPLIES	19,665	20,700
RENTALS AND INSURANCE	2,806	565
MOTOR VEHICLE OPERATION	3,128	3,062
AWARDS AND INDEMNITIES	27	947
GRANTS AND SUBSIDIES	12,598	9,869
ITEMS FOR RESALE, REISSUE OR MANUFACTURE	10,474	13,687
EQUIPMENT	9,213	6,098
LAND	17,995	25,843
BUILDINGS	213	509
HIGHWAY CONSTRUCTION	450,001	403,734
TOTAL EXPENDITURES BY OBJECT	$ 654,294	$ 606,783

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	HIGHWAY FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 16,367	$ 16,367	
ADD - ENCUMBRANCE AND CONTRACT RESERVES REAPPROPRIATED	201,444	201,444	
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	217,811	217,811	
REVENUES:			
TAXES	288,600	290,982	$ 2,382
LICENSES, FEES AND PERMITS	200	481	281
FEDERAL	341,393	329,081	(12,312)
DEPARTMENTAL SERVICES	21,987	7,152	(14,835)
OTHER	3,700	4,900	1,200
OTHER FINANCING SOURCES - TRANSFERS IN	24,400	24,400	
TOTAL SOURCES OF FINANCIAL RESOURCES	**898,091**	**874,807**	**(23,284)**
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
PUBLIC SERVICE COMMISSION			
WILDLIFE RESOURCES			
TRANSPORTATION	881,184	858,153	23,031
TOTAL USES OF FINANCIAL RESOURCES	**881,184**	**858,153**	**23,031**
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	**$ 16,907**	**$ 16,654**	**$ (253)**

	CRIMINAL INJURIES COMPENSATION		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 233	$ 233	
ADD - ENCUMBRANCE AND CONTRACT RESERVES REAPPROPRIATED			
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	233	233	
REVENUES:			
TAXES			
LICENSES, FEES AND PERMITS		3,984	$ 3,984
FEDERAL	1,129	495	(634)
DEPARTMENTAL SERVICES			
OTHER			
OTHER FINANCING SOURCES - TRANSFERS IN	450	450	
TOTAL SOURCES OF FINANCIAL RESOURCES	**1,812**	**5,162**	**3,350**
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
TREASURER	4,647	3,996	651
PUBLIC SERVICE COMMISSION			
EDUCATION			
HEALTH AND ENVIRONMENT			
SAFETY			
WILDLIFE RESOURCES			
COMMERCE AND INSURANCE			
TRANSPORTATION			
TOTAL USES OF FINANCIAL RESOURCES	**4,647**	**3,996**	**651**
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	**$ (2,835)**	**$ 1,166**	**$ 4,001**

See accompanying Notes to the Financial Statements.

WILDLIFE RESOURCES AGENCY			PUBLIC SERVICE COMMISSION		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 12,459	$ 12,459		$ 1,400	$ 1,400	
543	543		11	11	
13,002	13,002		1,411	1,411	
318	389	$ 71			
12,282	13,443	1,161	4,400	3,939	$ (461)
3,443	3,128	(315)	1,232	1,110	(122)
1,254	1,401	147	638	1,147	509
325	325				
30,624	**31,688**	**1,064**	**7,681**	**7,607**	**(74)**
			6,871	6,322	549
20,471	19,965	506			
20,471	**19,965**	**506**	**6,871**	**6,322**	**549**
$ 10,153	**$ 11,723**	**$ 1,570**	**$ 810**	**$ 1,285**	**$ 475**

OTHER SPECIAL REVENUE FUNDS			TOTAL SPECIAL REVENUE FUNDS		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 8,064	$ 8,064		$ 38,523	$ 38,523	
25	25		202,023	202,023	
8,089	8,089		240,546	240,546	
			288,918	291,371	$ 2,453
1,200	2,323	$ 1,123	18,082	24,170	6,088
457	315	(142)	347,654	334,129	(13,525)
1,000	1,662	662	24,879	11,362	(13,517)
			3,700	4,900	1,200
3,504	3,504		28,679	28,679	
14,250	**15,893**	**1,643**	**952,458**	**935,157**	**(17,301)**
			4,647	3,996	651
			6,871	6,322	549
1,637	1,564	73	1,637	1,564	73
5,157	2,179	2,978	5,157	2,179	2,978
394	297	97	394	297	97
			20,471	19,965	506
3	3		3	3	
			881,184	858,153	23,031
7,191	4,043	3,148	920,364	892,479	27,885
$ 7,059	**$ 11,850**	**$ 4,791**	**$ 32,094**	**$ 42,678**	**$ 10,584**

STATE OF TENNESSEE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
OTHER SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	ABANDONED LAND PROGRAM		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 1,833	$ 1,833	
ADD - ENCUMBRANCE RESERVES REAPPROPRIATED			
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	1,833	1,833	
REVENUES:			
LICENSES, FEES AND PERMITS		531	$ 531
FEDERAL	100		(100)
DEPARTMENTAL SERVICES			
OTHER FINANCING SOURCES - TRANSFERS IN			
TOTAL SOURCES OF FINANCIAL RESOURCES	**1,933**	**2,364**	**431**
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
EDUCATION			
HEALTH AND ENVIRONMENT	707	488	219
SAFETY			
TOTAL USES OF FINANCIAL RESOURCES	**707**	**488**	**219**
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	**$ 1,226**	**$ 1,876**	**$ 650**

	REAL ESTATE COMMISSION		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 575	$ 575	
ADD - ENCUMBRANCE RESERVES REAPPROPRIATED			
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	575	575	
REVENUES:			
LICENSES, FEES AND PERMITS		193	$ 193
FEDERAL			
DEPARTMENTAL SERVICES		51	51
OTHER FINANCING SOURCES - TRANSFERS IN			
TOTAL SOURCES OF FINANCIAL RESOURCES	**575**	**819**	**244**
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
EDUCATION			
HEALTH AND ENVIRONMENT			
SAFETY			
COMMERCE AND INSURANCE	3	3	
TOTAL USES OF FINANCIAL RESOURCES	**3**	**3**	
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	**$ 572**	**$ 816**	**$ 244**

See accompanying Notes to the Financial Statements.

DRIVER EDUCATION			HAZARDOUS WASTE		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 954	$ 954		$ 4,702	$ 4,702	
5	5		20	20	
959	959		4,722	4,722	
1,200	1,599	$ 399			
			357	315	$ (42)
			1,000	1,611	611
			3,054	3,054	
2,159	**2,558**	**399**	**9,133**	**9,702**	**569**
1,637	1,564	73			
			4,450	1,691	2,759
394	297	97			
2,031	**1,861**	**170**	**4,450**	**1,691**	**2,759**
$ 128	**$ 697**	**$ 569**	**$ 4,683**	**$ 8,011**	**$ 3,328**

DRUNK DRIVERS VICTIM COMPENSATION			TOTAL OTHER SPECIAL REVENUE FUNDS		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
			$ 8,064	$ 8,064	
			25	25	
			8,089	8,089	
			1,200	2,323	$ 1,123
			457	315	(142)
			1,000	1,662	662
$ 450	$ 450		3,504	3,504	
450	**450**		**14,250**	**15,893**	**1,643**
			1,637	1,564	73
			5,157	2,179	2,978
			394	297	97
			3	3	
			7,191	**4,043**	**3,148**
$ 450	**$ 450**		**$ 7,059**	**$ 11,850**	**$ 4,791**

Debt Service Fund

The Debt Service Fund is maintained to account for accumulation of resources for, and the payment of, principal and interest on general long-term debt.

STATE OF TENNESSEE
BALANCE SHEET
DEBT SERVICE FUND
JUNE 30, 1986

(Expressed in Thousands)

ASSETS	JUNE 30, 1986	JUNE 30, 1985
CASH AND CASH EQUIVALENTS	$ 5,759	$ 4,725
TOTAL ASSETS	$ 5,759	$ 4,725
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 19	$ 10
MATURED BONDS AND INTEREST PAYABLE	1,682	664
ACCRUED INTEREST ON BOND ANTICIPATION NOTES	223	298
TOTAL LIABILITIES	1,924	972
FUND BALANCE (Note 1):		
UNRESERVED		
DESIGNATED FOR OTHER SPECIFIC PURPOSES	2,200	
UNDESIGNATED	1,635	3,753
TOTAL FUND BALANCE	3,835	3,753
TOTAL LIABILITIES AND FUND BALANCE	$ 5,759	$ 4,725

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1986	JUNE 30, 1985
REVENUES:		
TAXES:		
SALES AND USE	$ 17,067	$ 15,967
GASOLINE	29,300	28,300
FRANCHISE	16,000	16,000
EXCISE	40,900	44,500
	103,267	105,767
FEDERAL	92	92
OTHER	72	
TOTAL REVENUES	103,431	105,859
EXPENDITURES:		
BOND PRINCIPAL RETIREMENT	50,125	50,125
BOND INTEREST	26,297	28,833
NOTE INTEREST	2,363	4,390
OTHER	144	92
TOTAL EXPENDITURES	78,929	83,440
EXCESS OF REVENUES OVER EXPENDITURES	24,502	22,419
OTHER FINANCING SOURCES (USES):		
OPERATING TRANSFER FROM GENERAL FUND	1,800	2,860
OPERATING TRANSFER TO CAPITAL PROJECTS FUND	(11,820)	(14,080)
OPERATING TRANSFER TO HIGHWAY FUND	(14,400)	(14,020)
TOTAL OTHER FINANCING SOURCES (USES)	(24,420)	(25,240)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	82	(2,821)
FUND BALANCE, JULY 1	3,753	6,574
FUND BALANCE, JUNE 30	$ 3,835	$ 3,753

See accompanying Notes to the Financial Statements.

Capital Projects Fund

The Capital Projects Fund is maintained to account for the acquisition or construction of major governmental general fixed assets financed principally by long-term bonds.

STATE OF TENNESSEE
BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 1986

(Expressed in Thousands)

ASSETS	JUNE 30, 1986	JUNE 30, 1985
CASH AND CASH EQUIVALENTS	$ 502,197	$ 171,456
DUE FROM OTHER GOVERNMENTS	1,221	2,376
INTERFUND RECEIVABLES (Note 2)	7,707	7,159
TOTAL ASSETS	$ 511,125	$ 180,991
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 3,601	$ 1,968
ACCOUNTS PAYABLE	6,620	8,190
INTERFUND PAYABLES (Note 2)	1,787	1,695
NOTES PAYABLE (Note 3)	115,800	67,770
DEFERRED REVENUE	124	266
TOTAL LIABILITIES	127,932	79,889
FUND BALANCE (Note 1):		
RESERVED FOR ENCUMBRANCES AND CONTRACTS	33,119	55,923
RESERVED FOR APPROVED CAPITAL PROJECTS	138,065	19,322
RESERVED FOR FUTURE CAPITAL PROJECTS	212,009	25,857
TOTAL FUND BALANCE	383,193	101,102
TOTAL LIABILITIES AND FUND BALANCE	$ 511,125	$ 180,991

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1986	JUNE 30, 1985
REVENUES:		
FEDERAL	$ 4,140	$ 6,711
DEPARTMENTAL SERVICES	1,364	844
TOTAL REVENUES	5,504	7,555
EXPENDITURES:		
GENERAL GOVERNMENT	19,877	11,841
EDUCATION	7,481	5,801
HEALTH AND SOCIAL SERVICES	9,614	6,417
LAW, JUSTICE AND PUBLIC SAFETY	15,857	15,685
RECREATION AND RESOURCES DEVELOPMENT	6,339	3,797
TOTAL EXPENDITURES	59,168	43,211
EXCESS OF EXPENDITURES OVER REVENUES	(53,664)	(35,656)
OTHER FINANCING SOURCES (USES):		
PROCEEDS FROM BOND SALE	196,000	
OPERATING TRANSFER FROM GENERAL FUND	185,157	90,557
OPERATING TRANSFER FROM DEBT SERVICE FUND	11,820	14,080
OPERATING TRANSFER TO COLLEGE AND UNIVERSITY FUNDS	(57,222)	(34,301)
TOTAL OTHER FINANCING SOURCES (USES)	335,755	80,336
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	282,091	46,680
FUND BALANCE, JULY 1	101,102	54,422
FUND BALANCE, JUNE 30	$383,193	$101,102

See accompanying Notes to the Financial Statements.

Enterprise Funds

The Enterprise Funds are used to account for the operations of state agencies that provide goods or services to the general public on a user charge basis. The state's enterprise operations are described below.

Housing Development Agency - Created by the legislature in 1973, the purpose of this agency is to improve the quality of housing available to lower and moderate income Tennesseans. This objective is accomplished in part by (1) making funds available for loans for residential construction or rehabilitation, (2) making or participating in the making of insured mortgage loans and (3) purchasing existing mortgages from lending institutions. These programs are funded primarily from the sale of revenue bonds or notes.

Local Development Authority - This authority was created in 1978 for the purpose of providing to local governments, through the issuing of revenue bonds or notes, the financing assistance previously provided by the State Loan Program. In addition, the Authority may assist small business concerns in financing pollution control facilities and farmers in financing certain capital improvements.

State Loan Program - Operated since the early 1970's through the Department of Health and Environment, this program has provided financial assistance to local governments and utility districts for the construction of sewage treatment, solid waste recovery and waterworks facilities. In order for these borrowing entities to generate funds necessary to repay the loans, the imposition of a user's fee by the local systems was authorized. In order to finance this program, general obligation bonds were sold which, although remaining full faith and credit obligations of the state, are being retired from resources of this fund. Future financing for this program will be generated from the sale of revenue bonds or notes by the Local Development Authority.

Other - Three smaller enterprise operations are included in this group, as follows:

1. Housing Rehabilitation Corporation - Established in 1973, this corporation's purpose is to provide a means of encouraging the rehabilitation of existing housing. To facilitate this objective the corporation insures first mortgage loans on existing houses and insures loans for home improvements. Although they have received state appropriations in the past, it is intended that the corporation be self-funded with revenues from investments, fees and premium income.

2. Federal Property Utilization, a division of the Department of General Services - This agency receives surplus federal property and redistributes it to civil defense units, health and educational institutions and other eligible donees within the state. The agency collects fees from the donees to offset operating costs.

3. State Employees' Cafeteria, also a division of the Department of General Services - This Nashville division operates two cafeterias for the convenience of state employees, one in the Andrew Jackson State Office Building and another in the Legislative Plaza.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL ENTERPRISE FUNDS
JUNE 30, 1986

(Expressed in Thousands)

ASSETS	HOUSING DEVELOPMENT AGENCY	LOCAL DEVELOPMENT AUTHORITY	STATE LOAN PROGRAM	OTHER	TOTALS JUNE 30, 1986	TOTALS JUNE 30, 1985
CURRENT ASSETS:						
CASH AND CASH EQUIVALENTS	$ 144,721	$ 62,105	$ 9,129	$ 793	$ 216,748	$ 136,673
CASH ON DEPOSIT WITH FISCAL AGENT						68,850
RECEIVABLES:						
ACCOUNTS	6,141			34	6,175	3,645
INTEREST	13,372	3	1		13,376	13,491
FIRST MORTGAGE LOANS - CURRENT PORTION	7,869				7,869	33,913
DUE FROM OTHER GOVERNMENTS - CURRENT PORTION		1,277	2,655		3,932	3,722
INTERFUND RECEIVABLES (Note 2)				3	3	29
INVENTORIES, at cost				11	11	4
TOTAL CURRENT ASSETS	172,103	63,385	11,785	841	248,114	260,327
OTHER ASSETS:						
RESTRICTED INVESTMENTS		3,664			3,664	
LONG-TERM INVESTMENTS, at cost	122,450	6,706			129,156	119,351
FIRST MORTGAGE LOANS RECEIVABLE	799,658				799,658	666,348
DUE FROM OTHER GOVERNMENTS		56,548	64,192		120,740	123,644
DEFERRED CHARGES	978				978	1,136
TOTAL OTHER ASSETS	923,086	66,918	64,192		1,054,196	910,479
LAND, at cost				29	29	29
STRUCTURES AND IMPROVEMENTS, at cost				98	98	85
MACHINERY AND EQUIPMENT, at cost	79			459	538	517
LESS ACCUMULATED DEPRECIATION	(41)			(360)	(401)	(364)
TOTAL FIXED ASSETS	38			226	264	267
TOTAL ASSETS	$ 1,095,227	$ 130,303	$ 75,977	$ 1,067	$ 1,302,574	$ 1,171,073
LIABILITIES AND FUND EQUITY						
LIABILITIES:						
CURRENT LIABILITIES:						
WARRANTS PAYABLE	$ 1,445	$ 3		$ 45	$ 1,493	$ 1,382
ACCOUNTS PAYABLE AND ACCRUALS	43,620	5,159	$ 1,902	156	50,837	50,857
INTERFUND PAYABLES (Note 2)	18			7	25	23
NOTES PAYABLE (Note 3)		62,500			62,500	90,200
CURRENT PORTION OF LONG-TERM DEBT (Note 3)	46,949	1,277	2,655		50,881	21,752
DEFERRED REVENUE	2,656			2	2,658	3,076
TOTAL CURRENT LIABILITIES	94,688	68,939	4,557	210	168,394	167,290
LONG-TERM DEBT - BONDS PAYABLE, NET (Note 3)	923,437	56,178	66,370		1,045,985	931,266
TOTAL LIABILITIES	1,018,125	125,117	70,927	210	1,214,379	1,098,556
FUND EQUITY (Note 7):						
CONTRIBUTED CAPITAL	2,500			706	3,206	707
RETAINED EARNINGS:						
RESERVED FOR BOND RETIREMENT	13,317				13,317	13,282
RESERVED FOR SEWAGE TREATMENT LOANS		2,094			2,094	1,600
UNRESERVED	61,285	3,092	5,050	151	69,578	57,578
TOTAL FUND EQUITY	77,102	5,186	5,050	857	88,195	72,517
TOTAL LIABILITIES AND FUND EQUITY	$ 1,095,227	$ 130,303	$ 75,977	$ 1,067	$ 1,302,574	$ 1,171,073

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	HOUSING DEVELOPMENT AGENCY	LOCAL DEVELOPMENT AUTHORITY	STATE LOAN PROGRAM	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1986	TOTALS FOR THE YEAR ENDED JUNE 30, 1985
OPERATING REVENUES:						
CHARGES FOR SERVICES	$ 1,128			$ 1,387	$ 2,515	$ 1,688
INTEREST INCOME	104,207	$ 3,695	$ 664	36	108,602	88,362
INTERGOVERNMENTAL		4,873	3,889		8,762	8,183
TOTAL OPERATING REVENUES	105,335	8,568	4,553	1,423	119,879	98,233
OPERATING EXPENSES:						
PERSONAL SERVICES	2,077			850	2,927	2,588
CONTRACTUAL SERVICES	859	386		146	1,191	1,372
MORTGAGE SERVICE FEES	2,588				2,588	1,987
MATERIALS AND SUPPLIES	42			417	459	448
RENTALS AND INSURANCE	165			38	203	104
INTEREST	87,087	7,504	4,180		98,771	79,477
DEPRECIATION AND AMORTIZATION	356			31	387	433
OTHER	1,287			23	1,310	527
TOTAL OPERATING EXPENSES	94,261	7,890	4,180	1,505	107,836	86,936
OPERATING INCOME (LOSS)	11,074	678	373	(82)	12,043	11,297
NONOPERATING REVENUES (EXPENSES):						
OPERATING GRANTS	17,584				17,584	15,813
GRANT EXPENSE	(17,449)				(17,449)	(15,563)
TOTAL NONOPERATING REVENUES (EXPENSES)	135				135	250
INCOME (LOSS) BEFORE OPERATING TRANSFER	11,209	678	373	(82)	12,178	11,547
OPERATING TRANSFER FROM GENERAL FUND		1,000			1,000	1,000
NET INCOME (LOSS)/CHANGE IN RETAINED EARNINGS	11,209	1,678	373	(82)	13,178	12,547
OTHER CHANGES IN FUND EQUITY:						
CONTRIBUTED FIXED ASSETS						114
EQUITY TRANSFER FROM GENERAL FUND	2,500				2,500	
NET CHANGE IN FUND EQUITY	13,709	1,678	373	(82)	15,678	12,661
FUND EQUITY, JULY 1	63,393	3,508	4,677	939	72,517	59,856
FUND EQUITY, JUNE 30 (Note 2)	$ 77,102	$ 5,186	$ 5,050	$ 857	$ 88,195	$ 72,517

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	HOUSING DEVELOPMENT AGENCY	LOCAL DEVELOPMENT AUTHORITY	STATE LOAN PROGRAM	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1986	JUNE 30, 1985
SOURCES OF WORKING CAPITAL:						
OPERATIONS:						
INCOME BEFORE EXTRAORDINARY ITEM	$ 11,209	$ 1,678	$ 373	$ (82)	$ 13,178	$ 12,547
ITEMS NOT REQUIRING WORKING CAPITAL -						
DISCOUNT AMORTIZATION	1,540				1,540	
DEPRECIATION AND AMORTIZATION	356			31	387	433
MULTIPLIER BOND ACCRETION	4,702				4,702	
WORKING CAPITAL PROVIDED BY OPERATIONS	17,807	1,678	373	(51)	19,807	12,980
PROCEEDS FROM SALE OF BONDS	158,573				158,573	247,118
DISPOSAL OF MACHINERY AND EQUIPMENT						3
DECREASE IN LOANS TO OTHER GOVERNMENTS		210	2,694		2,904	4,616
EQUITY TRANSFER FROM GENERAL FUND	2,500				2,500	
TOTAL SOURCES OF WORKING CAPITAL	178,880	1,888	3,067	(51)	183,784	264,717
USES OF WORKING CAPITAL:						
PURCHASE OF RESTRICTED INVESTMENTS		3,664			3,664	
PURCHASE OF LONG-TERM INVESTMENTS	9,805				9,805	45,406
INCREASE IN FIRST MORTGAGE LOANS RECEIVABLE	133,310				133,310	117,855
INCREASE IN DEFERRED CHARGES	194				194	281
ACQUISITION OF MACHINERY AND EQUIPMENT	4			30	34	9
DECREASE IN LONG-TERM DEBT	46,162	1,277	2,655		50,094	27,664
TOTAL USES OF WORKING CAPITAL	189,475	4,941	2,655	30	197,101	191,215
NET CHANGE IN WORKING CAPITAL	$ (10,595)	$ (3,053)	$ 412	$ (81)	$ (13,317)	$ 73,502
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:						
CASH AND CASH EQUIVALENTS	$ 38,915	$ 40,854	$ 313	$ (7)	$ 80,075	$ 14,556
CASH ON DEPOSIT WITH FISCAL AGENT		(68,850)			(68,850)	68,850
ACCOUNTS RECEIVABLE	2,552			(15)	2,537	787
INTEREST RECEIVABLE	1,175	(1,291)	1		(115)	3,375
FIRST MORTGAGE LOANS RECEIVABLE	(26,044)				(26,044)	16,149
CURRENT DUE FROM OTHER GOVERNMENTS		70	140		210	1,332
INTERFUND RECEIVABLES				(26)	(26)	29
INVENTORIES						(1)
WARRANTS PAYABLE	(117)	19		(13)	(111)	(157)
ACCOUNTS PAYABLE AND ACCRUALS	1,425	(1,485)	98	(18)	20	(15,428)
INTERFUND PAYABLES	(2)				(2)	(5)
NOTES PAYABLE		27,700			27,700	(11,920)
CURRENT PORTION OF LONG-TERM DEBT	(28,018)	(70)	(140)		(79,129)	(4,077)
DEFERRED REVENUE	420			(2)	418	12
NET CHANGE IN WORKING CAPITAL	$ (10,595)	$ (3,053)	$ 412	$ (81)	$ (13,317)	$ 73,502

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
OTHER ENTERPRISE FUNDS
JUNE 30, 1986

(Expressed in Thousands)

ASSETS	HOUSING REHABILITATION CORPORATION	FEDERAL PROPERTY UTILIZATION	STATE EMPLOYEES' CAFETERIA	TOTALS JUNE 30, 1986	TOTALS JUNE 30, 1985
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	$ 532	$ 190	$ 71	$ 793	$ 800
ACCOUNTS RECEIVABLE		34		34	56
INTERFUND RECEIVABLES (NOTE 2)		3		3	29
INVENTORIES, at cost			11	11	4
TOTAL CURRENT ASSETS	532	227	82	841	889
LAND, at cost		29		29	29
STRUCTURES AND IMPROVEMENTS, at cost		98		98	85
MACHINERY AND EQUIPMENT, at cost	3	252	204	459	442
LESS ACCUMULATED DEPRECIATION	(3)	(168)	(189)	(360)	(329)
TOTAL FIXED ASSETS	-	211	15	226	227
TOTAL ASSETS	$ 532	$ 438	$ 97	$1,067	$1,116
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
CURRENT LIABILITIES:					
WARRANTS PAYABLE		$ 12	$ 33	$ 45	$ 32
ACCOUNTS PAYABLE AND ACCRUALS		95	61	156	138
INTERFUND PAYABLES (Note 2)		4	3	7	7
DEFERRED REVENUE	$ 2			2	
TOTAL CURRENT LIABILITIES	2	111	97	210	177
FUND EQUITY (Note 2):					
CONTRIBUTED CAPITAL		489	217	706	707
RETAINED EARNINGS (DEFICIT):					
UNRESERVED	530	(162)	(217)	151	232
TOTAL FUND EQUITY	530	327	-	857	939
TOTAL LIABILITIES AND FUND EQUITY	$ 532	$ 438	$ 97	$1,067	$1,116

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	HOUSING REHABILITATION CORPORATION	FEDERAL PROPERTY UTILIZATION	STATE EMPLOYEES' CAFETERIA	TOTALS FOR THE YEAR ENDED JUNE 30, 1986	JUNE 30, 1985
OPERATING REVENUES:					
CHARGES FOR SERVICES	$ 1	$ 628	$ 758	$ 1,387	$ 1,392
INTEREST INCOME	36			36	41
TOTAL OPERATING REVENUES	37	628	758	1,423	1,433
OPERATING EXPENSES:					
PERSONAL SERVICES		477	373	850	836
CONTRACTUAL SERVICES		101	45	146	135
MATERIALS AND SUPPLIES		54	363	417	419
RENTALS AND INSURANCE		24	14	38	5
DEPRECIATION AND AMORTIZATION		26	5	31	27
OTHER		19	4	23	23
TOTAL OPERATING EXPENSES		701	804	1,505	1,445
NET INCOME (LOSS) CHANGE IN RETAINED EARNINGS	37	(73)	(46)	(82)	(12)
OTHER CHANGES IN FUND EQUITY: CONTRIBUTED (USED) ASSETS					114
NET CHANGE IN FUND EQUITY	37	(73)	(46)	(82)	102
FUND EQUITY, JULY 1	491	400	46	939	837
FUND EQUITY, JUNE 30 (Note 3)	$ 530	$ 327	$ -	$ 857	$ 939

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	HOUSING REHABILITATION CORPORATION	FEDERAL PROPERTY UTILIZATION	STATE EMPLOYEES' CAFETERIA	TOTALS FOR THE YEAR ENDED JUNE 30, 1986	JUNE 30, 1985
SOURCES OF WORKING CAPITAL:					
OPERATIONS:					
NET INCOME (LOSS)	$ 39	$ (73)	$ (48)	$ (82)	$ 4
ITEMS NOT REQUIRING WORKING CAPITAL-					
DEPRECIATION AND AMORTIZATION		26	5	31	27
WORKING CAPITAL PROVIDED BY OPERATIONS	39	(47)	(43)	(51)	31
DISPOSAL OF MACHINERY AND EQUIPMENT					3
TOTAL SOURCES OF WORKING CAPITAL	39	(47)	(43)	(51)	34
USES OF WORKING CAPITAL:					
ACQUISITION OF MACHINERY AND EQUIPMENT		30		30	3
TOTAL USES OF WORKING CAPITAL		30		30	3
NET CHANGE IN WORKING CAPITAL	$ 39	$ (77)	$ (43)	$ (81)	$ 31
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:					
CASH AND CASH EQUIVALENTS	$ 41	$ (17)	$ (31)	$ (7)	$ 23
ACCOUNTS RECEIVABLE		(22)	7	(15)	10
INTERFUND RECEIVABLES		(26)		(26)	29
INVENTORIES					(1)
WARRANTS PAYABLE		1	(14)	(13)	(13)
ACCOUNTS PAYABLE AND ACCRUALS		(13)	(5)	(18)	(19)
INTERFUND PAYABLES					(1)
DEFERRED REVENUE	(2)			(2)	3
NET CHANGE IN WORKING CAPITAL	$ 39	$ (77)	$ (43)	$ (81)	$ 31

See accompanying Notes to the Financial Statements.

Internal Service Funds

The Internal Service Funds are used to account for the operations of state agencies that provide goods or services to other state agencies on a cost-reimbursement basis. The following operations are included in these funds:

Information System Services, a division of the Department of Finance and Administration - This agency functions as the data processing service bureau for state government;

Claims Award - This fund was created in 1985 to pay awards for claims made against the state once validity of the claims has been determined by the Tennessee Claims Commission.

Motor Vehicle Management, a division of the Department of General Services - This division is responsible for administering a uniform program for the operation and maintenance of all state vehicles;

Printing, a division of the Department of General Services - This agency operates a printing facility to provide such services as general printing, typesetting and binding for state agencies located in Nashville and has responsibility for the installation and management of state-owned copier machines located in selected state agencies with high volume activity;

Building Management, a division of the Department of General Services -This division is responsible for the maintenance, repair and upkeep of selected state owned buildings located in Chattanooga, Memphis and Jackson;

Communications Management, a division of the Department of General Services - This division is responsible for designing, implementing, and operating a voice, data, and telephone communications system.

Tennessee State School Bond Authority (TSSBA) - Established in 1965, the TSSBA provides a mechanism for financing building projects for the state's universities. Agreements are executed between the governing boards of the institutions and the TSSBA, and revenue bonds are issued using the constructed facilities as collateral. Charges levied by the universities on users of the facilities provide the funds necessary for payment of principal and interest on bonds. Any collections in excess of these requirements are retained by the institutions to cover administrative fees, building maintenance and related costs;

Other - Three smaller internal service agencies are included in this group, as follows:

1. Legislative Services, a division of the Legislative branch - This division collects revenue from the printing and distribution of proposed bills, legislative calendars and other information during the legislative session;

2. Capitol Print Shop, a division of the Office of the Comptroller - This facility is responsible for providing printing, mailing and other office services for the state agencies located in the Capitol;

3. Postal Services, a division of the Department of General Services - This agency processes and distributes incoming, outgoing and interdepartmental mail for state agencies located in Nashville.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL INTERNAL SERVICE FUNDS
JUNE 30, 1986

(Expressed in Thousands)

ASSETS	INFORMATION SYSTEM SERVICES	CLAIMS AWARD	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING
CURRENT ASSETS:				
CASH AND CASH EQUIVALENTS	$ 3,611	$ 13,570	$ 8,452	$ 1,363
CASH ON DEPOSIT WITH FISCAL AGENT				
ACCOUNTS RECEIVABLE	2		81	1
INTERFUND RECEIVABLES (Note 2)		2,716	96	
INVENTORIES, at cost			93	212
PREPAID EXPENSES	16			
TOTAL CURRENT ASSETS	3,629	16,286	8,722	1,576
OTHER ASSETS:				
INVESTMENTS, at cost				
DEFERRED CHARGES				
TOTAL OTHER ASSETS				
FIXED ASSETS:				
LAND, at cost			168	
STRUCTURES AND IMPROVEMENTS, at cost				
MACHINERY AND EQUIPMENT, at cost	25,523		25,139	2,372
LESS ACCUMULATED DEPRECIATION	(16,790)		(7,783)	(1,533)
TOTAL FIXED ASSETS	8,733		17,524	839
TOTAL ASSETS	$ 12,362	$ 16,286	$26,246	$ 2,415
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
CURRENT LIABILITIES:				
WARRANTS PAYABLE	$ 250	$ 282	$ 510	$ 120
ACCOUNTS PAYABLE AND ACCRUALS:				
ACCOUNTS PAYABLE	1,155	22,926	1,050	251
ACCRUED PAYROLL AND RELATED DEDUCTIONS	742		85	161
INTERFUND PAYABLES (Note 2)	62		17	12
DEFERRED REVENUE				
TOTAL CURRENT LIABILITIES	2,209	23,208	1,662	544
LONG-TERM DEBT:				
BONDS PAYABLE (Note 3)				
CALL PREMIUMS PAYABLE				
TOTAL LONG-TERM DEBT				
TOTAL LIABILITIES	2,209	23,208	1,662	544
FUND EQUITY (Note 2):				
CONTRIBUTED CAPITAL:				
CAPITAL GRANTS			121	
GOVERNMENT'S CONTRIBUTION	9,387		13,958	1,286
RETAINED EARNINGS (DEFICIT)	766	(6,922)	10,505	585
TOTAL FUND EQUITY	10,153	(6,922)	24,584	1,871
TOTAL LIABILITIES AND FUND EQUITY	$ 12,362	$ 16,286	$26,246	$ 2,415

See accompanying Notes to the Financial Statements.

BUILDING MANAGEMENT	COMMUNICATIONS MANAGEMENT	TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER	TOTALS JUNE 30, 1986	TOTALS JUNE 30, 1985
$ 742	$ 2,154	$ 3,793	$ 901	$ 34,586	$ 32,108
		9,153		9,153	821
1	1		3	89	8
6				2,818	85
			180	485	334
			12	28	34
749	2,155	12,946	1,096	47,159	33,390
					52,574
					237
					52,811
1,491				1,491	1,468
12,111				12,279	12,301
31	3,735		254	57,054	44,538
(3,198)	(1,061)		(141)	(30,506)	(26,107)
10,435	2,674		113	40,318	32,200
$ 11,184	$ 4,829	$ 12,946	$ 1,209	$ 87,477	$ 118,401
$ 61	$ 28	$ 378	$ 56	$ 1,685	$ 453
72	274	8,198	43	33,969	16,313
50	30		69	1,137	1,019
3	4		4	102	79
5		904		909	771
191	336	9,480	172	37,802	18,637
					52,300
					1,533
					53,833
191	336	9,480	172	37,802	72,470
				121	121
12,242	5,042		300	42,215	40,459
(1,249)	(549)	3,466	737	7,339	5,351
10,993	4,493	3,466	1,037	49,675	45,931
$ 11,184	$ 4,829	$ 12,946	$ 1,209	$ 87,477	$ 118,401

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	INFORMATION SYSTEM SERVICES	CLAIMS AWARD	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING
OPERATING REVENUES:				
CHARGES FOR SERVICES	$ 18,363	$ 14,197	$10,954	$ 3,542
INTEREST INCOME		1,097		
OTHER	34			
TOTAL OPERATING REVENUES	18,397	15,294	10,954	3,542
OPERATING EXPENSES:				
PERSONAL SERVICES	7,075		1,010	1,459
CONTRACTUAL SERVICES	2,269		203	602
MATERIALS AND SUPPLIES	1,195		3,086	1,117
RENTALS AND INSURANCE	6,272		133	166
INTEREST				
DEPRECIATION AND AMORTIZATION	2,613		3,401	539
BENEFITS		14,233		
OTHER	43	1,822	104	25
TOTAL OPERATING EXPENSES	19,467	16,055	7,947	3,908
OPERATING INCOME (LOSS)	(1,070)	(761)	3,007	(366)
OPERATING TRANSFERS FROM (TO) GENERAL FUND				
NET INCOME (LOSS)/CHANGE IN RETAINED EARNINGS	(1,070)	(761)	3,007	(366)
OTHER CHANGES IN FUND EQUITY:				
CONTRIBUTED FIXED ASSETS			1,891	
EQUITY TRANSFER FROM (TO) GENERAL FUND				(133)
EQUITY TRANSFER FROM (TO) INTERNAL SERVICES FUND			46	
NET CHANGE IN FUND EQUITY	(1,070)	(761)	4,944	(499)
FUND EQUITY, JULY 1 (Note 2)	11,223	(6,161)	19,640	2,370
FUND EQUITY, JUNE 30	$ 10,153	$ (6,922)	$24,584	$ 1,871

See accompanying Notes to the Financial Statements.

BUILDING MANAGEMENT	COMMUNICATIONS MANAGEMENT	TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1986	JUNE 30, 1985
$ 1,541	$ 2,053		$ 3,522	$ 54,172	$ 42,845
		$ 5,118		6,215	3,374
				34	95
1,541	2,053	5,118	3,522	60,421	46,314
429	619		801	11,393	9,875
994	469		363	4,900	4,327
54	929		2,083	8,474	6,867
20	41		25	6,657	5,261
		2,908		2,908	2,909
402	624	156	20	7,765	6,150
				14,233	14,398
8	29		74	2,105	181
1,907	2,711	3,074	3,366	58,435	49,968
(366)	(658)	2,044	156	1,986	(3,654)
					2
(366)	(658)	2,044	156	1,986	(3,652)
				1,891	1,041
				(133)	9,616
	(7)		(39)		
(366)	(665)	2,044	117	3,744	7,005
11,359	5,158	1,422	920	45,931	38,926
$ 10,993	$ 4,493	$ 3,466	$ 1,037	$ 49,675	$ 45,931

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	INFORMATION SYSTEM SERVICES	CLAIMS AWARD	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING
SOURCES OF WORKING CAPITAL:				
OPERATIONS:				
NET INCOME (LOSS)	$ (1,070)	$ (761)	$ 3,007	$ (366)
ITEMS NOT REQUIRING WORKING CAPITAL - DEPRECIATION AND AMORTIZATION	2,613		3,401	539
WORKING CAPITAL PROVIDED BY OPERATIONS	1,543	(761)	6,408	173
SALE OF LONG-TERM INVESTMENTS				
DISPOSAL OF MACHINERY AND EQUIPMENT	3		1,034	4
EQUITY TRANSFERS FROM GENERAL FUND				
EQUITY TRANSFERS FROM INTERNAL SERVICE FUNDS			46	
DECREASE IN DEFERRED CHARGES				
TOTAL SOURCES OF WORKING CAPITAL	1,546	(761)	7,488	177
USES OF WORKING CAPITAL:				
PURCHASE OF LONG-TERM INVESTMENTS				
ACQUISITION OF FIXED ASSETS	5,367		7,923	221
EQUITY TRANSFER TO GENERAL FUND				133
EQUITY TRANSFER TO INTERNAL SERVICE FUNDS				
DECREASE IN LONG-TERM DEBT				
TOTAL USES OF WORKING CAPITAL	5,367		7,923	354
NET CHANGE IN WORKING CAPITAL	$ (3,821)	$ (761)	$ (435)	$ (177)
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:				
CASH AND CASH EQUIVALENTS	$ (3,387)	$ 5,911	$ 86	$ (21)
CASH ON DEPOSIT WITH FISCAL AGENT				
ACCOUNTS RECEIVABLE	2		75	1
INTERFUND RECEIVABLES		2,716	15	(3)
INVENTORIES			17	15
PREPAID EXPENSES	5			
WARRANTS PAYABLE	(175)	(282)	(320)	(93)
ACCOUNTS PAYABLE AND ACCRUALS	(257)	(9,106)	(298)	(74)
INTERFUND PAYABLES	(9)		(10)	(2)
DEFERRED REVENUE				
NET CHANGE IN WORKING CAPITAL	$ (3,821)	$ (761)	$ (435)	$ (177)

See accompanying Notes to the Financial Statements.

BUILDING MANAGEMENT	COMMUNICATIONS MANAGEMENT	TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1986	JUNE 30, 1985
$ (366)	$ (558)	$ 2,044	$ 156	$ 1,986	$ (3,652)
402	624	166	20	7,765	6,150
36	(34)	7,210	176	9,751	2,498
		52,574		52,574	
			11	1,052	678
					9,810
				46	
		237		237	
36	(34)	55,021	187	63,660	12,986
					79
	1,350		17	14,878	10,611
				133	194
	7		39	46	
		53,999		53,999	
	1,357	53,999	56	69,056	10,884
$ 36	$(1,391)	$ 1,022	$ 131	$ (5,396)	$ 2,102
$ 63	$(1,307)	$ 1,086	$ 47	$ 2,478	$ 17,313
		8,332		8,332	4
3	1		1	81	1
6			(1)	2,733	(79)
			119	151	(8)
			(11)	(6)	(10)
(21)	(2)	(337)	(2)	(1,232)	(46)
(8)	(82)	(7,926)	(21)	(17,772)	(15,103)
	(1)		(1)	(23)	(16)
(5)		(133)		(138)	(154)
$ 36	$(1,391)	$ 1,022	$ 131	$ (5,396)	$ 2,102

STATE OF TENNESSEE
COMBINING BALANCE SHEET
OTHER INTERNAL SERVICE FUNDS
JUNE 30, 1986

(Expressed in Thousands)

ASSETS	LEGISLATIVE SERVICES	CAPITOL PRINT SHOP	POSTAL SERVICES	TOTALS JUNE 30, 1986	TOTALS JUNE 30, 1985
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	$ 172	$ 352	$ 377	$ 901	$ 854
ACCOUNTS RECEIVABLE			3	3	2
INTERFUND RECEIVABLES (Note 2)					1
INVENTORIES, at cost		38	142	180	61
PREPAID EXPENSES		1	11	12	23
TOTAL CURRENT ASSETS	172	391	533	1,096	941
FIXED ASSETS:					
MACHINERY AND EQUIPMENT, at cost		207	47	254	269
LESS ACCUMULATED DEPRECIATION		(120)	(21)	(141)	(142)
TOTAL FIXED ASSETS		87	26	113	127
TOTAL ASSETS	$ 172	$ 478	$ 559	$ 1,209	$1,068
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
CURRENT LIABILITIES:					
WARRANTS PAYABLE	$ 1	$ 24	$ 31	$ 56	$ 54
ACCOUNTS PAYABLE AND ACCRUALS:					
ACCOUNTS PAYABLE		22	21	43	35
ACCRUED PAYROLL AND RELATED DEDUCTIONS	1	17	51	69	56
INTERFUND PAYABLES (Note 2)			4	4	3
TOTAL LIABILITIES	2	63	107	172	148
FUND EQUITY:					
CONTRIBUTED CAPITAL	88	187	25	300	340
RETAINED EARNINGS	82	228	427	737	580
TOTAL FUND EQUITY	170	415	452	1,037	920
TOTAL LIABILITIES AND FUND EQUITY	$ 172	$ 478	$ 559	$ 1,209	$1,068

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
OTHER INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	LEGISLATIVE SERVICES	CAPITOL PRINT SHOP	POSTAL SERVICES	TOTALS FOR THE YEAR ENDED JUNE 30, 1986	TOTALS FOR THE YEAR ENDED JUNE 30, 1985
OPERATING REVENUES:					
CHARGES FOR SERVICES	$ 96	$ 764	$ 2,662	$ 3,522	$ 2,949
TOTAL OPERATING REVENUES	96	764	2,662	3,522	2,949
OPERATING EXPENSES:					
PERSONAL SERVICES	18	308	475	801	736
CONTRACTUAL SERVICES	81	204	78	363	328
MATERIALS AND SUPPLIES		172	1,911	2,083	1,761
RENTALS AND INSURANCE	1	2	22	25	3
DEPRECIATION AND AMORTIZATION		13	7	20	27
OTHER			74	74	39
TOTAL OPERATING EXPENSES	100	699	2,567	3,366	2,894
NET INCOME (LOSS)/CHANGE IN RETAINED EARNINGS	(4)	65	95	156	55
OTHER CHANGES IN FUND EQUITY					
EQUITY TRANSFER OUT			(39)	(39)	
NET CHANGE IN FUND EQUITY	(4)	65	56	117	55
FUND EQUITY, JULY 1	174	350	396	920	865
FUND EQUITY, JUNE 30	$ 170	$ 415	$ 452	$ 1,037	$ 920

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
OTHER INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	LEGISLATIVE SERVICES	CAPITOL PRINT SHOP	POSTAL SERVICES	TOTALS FOR THE YEAR ENDED JUNE 30, 1986	TOTALS FOR THE YEAR ENDED JUNE 30, 1985
SOURCES OF WORKING CAPITAL:					
OPERATIONS:					
NET INCOME (LOSS)	$ (4)	$ 65	$ 95	$ 156	$ 55
ITEMS NOT REQUIRING WORKING CAPITAL -					
DEPRECIATION AND AMORTIZATION		13	7	20	27
WORKING CAPITAL PROVIDED BY OPERATIONS	(4)	78	102	176	82
DISPOSAL OF MACHINERY AND EQUIPMENT			11	11	9
TOTAL SOURCES OF WORKING CAPITAL	(4)	78	113	187	91
USES OF WORKING CAPITAL:					
ACQUISITION OF MACHINERY AND EQUIPMENT		17		17	1
EQUITY TRANSFER OUT			39	39	
TOTAL USES OF WORKING CAPITAL		17	39	56	1
NET CHANGE IN WORKING CAPITAL	$ (4)	$ 61	$ 74	$ 131	$ 90
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:					
CASH AND CASH EQUIVALENTS	$ (2)	$ 80	$ (31)	$ 47	$ 111
ACCOUNTS RECEIVABLE	(1)		2	1	(1)
INTERFUND RECEIVABLES			(1)	(1)	1
INVENTORIES		(1)	120	119	(27)
PREPAID EXPENSES		(7)	(4)	(11)	1
WARRANTS PAYABLE	(1)	(11)	10	(2)	21
ACCOUNTS PAYABLE AND ACCRUALS			(21)	(21)	(16)
INTERFUND PAYABLES			(1)	(1)	
NET CHANGE IN WORKING CAPITAL	$ (4)	$ 61	$ 74	$ 131	$ 90

See accompanying Notes to the Financial Statements.

Trust And Agency Funds

The Trust and Agency Funds are used to account for assets held by the state in a fiduciary capacity. Trust funds include the Employment Security Fund, Employee Group Insurance Fund, the Local Government Investment Fund, the Teacher Group Insurance Fund, the Community Development Fund, the Student Assistance Corporation Fund, the Board of Equalization Loan Fund, the Chairs of Excellence Fund and the Pension Trust Fund. The Local Government Fund, the Contingent Revenue Fund and the Deferred Compensation Fund are agency funds.

Expendable Trust Funds:

Employment Security Fund - This fund is maintained to account for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants. Funds are also received from the federal government for local office building construction, supplemental unemployment programs and work incentive payments. As required by law, all funds not necessary for current benefit payments are placed on deposit with the U. S. Treasury. Interest earned from these moneys is retained in the fund. Administrative and operational expenses incurred by the Department of Employment Security are expenditures of the General Fund.

Employee Group Insurance Fund - Established in January 1978, this fund is used to account for transactions pertaining to the state's self-insured group medical plan. Prior to 1978 medical insurance was provided by a private carrier. Group life and accident insurance premiums paid to a private insurance company are also recorded in this fund.

Local Government Investment Fund - This fund was created in July 1980 to account for local government deposits with the state treasurer and the related interest earnings. Through this program the participating local governments achieve higher investment income by pooling their funds than they could realize individually.

Teacher Group Insurance Fund - Established in January 1986, this fund is used to account for revenues received and claims paid on behalf of state teachers who have elected coverage under a group medical plan similar to that offered state employees.

Community Development Fund - This fund is used to account for loans made to communities under the federal Community Development Block Grant program for purposes of local company development.

Nonexpendable Trust Funds:

Student Assistance Corporation Fund - This fund is used to account for the operations of the Tennessee Student Assistance Corporation (TSAC), a nonprofit organization created to administer loan and grant programs to students attending higher education institutions. TSAC was established in 1974 to (1) guarantee loans made to eligible students, (2) administer state awards of financial assistance to eligible students, and (3) administer the nursing and medical loan scholarship programs.

Board of Equalization Loan Fund - This fund was created in 1963 to account for state loans to city and county governments for a program of assessment, reassessment or equalization of property taxes. In 1967 the program was expanded to also enable grants to be made for these purposes. Cash in the fund not needed for loans or grants may be transferred to other state activities by legislative act.

Chairs of Excellence Fund - This fund was created by the General Assembly in 1985. Its purpose is to endow faculty chairs at the State Board of Regents and University of Tennessee campuses in order to attract more highly qualified professors. For a chair to be established, private contributions which a school collects are matched by monies the state has appropriated to fund this program. The chair also receives the interest earned from investment of these matched monies.

Pension Trust Fund:

The Tennessee Consolidated Retirement System was established in July 1972 superseding seven former retirement systems. The accounts of each superseded system were transferred to the new system wherein separate accounting is maintained for assets and liabilities attributable to the various classes of members and beneficiaries. Benefits under the system are funded by contributions of members and employers. Effective July 1981 contributions of up to 5% of the earnable compensation of most classes of state employees, formerly paid by those employees, were assumed by the state pursuant to non-contributory legislation. The level of contributions is determined by actuarial valuation, the latest having been performed as of June 30, 1985. As of that date there were 140,744 active members and 46,171 retired members representing a .5% and 9.6% increase, respectively, since the previous actuarial valuation in 1983.

Agency Funds:

Local Government Fund - The purpose of the Local Government Fund is to serve as a clearing mechanism for state-shared taxes and other funds distributed to the various counties and cities of the state.

Contingent Revenue Fund - This fund is used to account for unearned federal revenues, refundable deposits and other receipts held in trust until the state has the right to transfer them to operating funds or until there is proper authorization to disburse them directly to others.

Deferred Compensation Fund - This fund is used to report the market value of investments accumulated in the state's IRC Section 457 deferred compensation plan.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL TRUST AND AGENCY FUNDS
JUNE 30, 1986

(Expressed in Thousands)

ASSETS	EXPENDABLE TRUST	NONEXPENDABLE TRUST	PENSION TRUST	AGENCY	TOTALS JUNE 30, 1986	TOTALS JUNE 30, 1985
CASH AND CASH EQUIVALENTS	$ 211,400	$ 26,732	$ 509,808	$ 211,072	**$ 958,212**	$ 715,371
CASH ON DEPOSIT WITH FISCAL AGENT	402,483				**402,483**	338,666
INVESTMENTS (Note 1)		29,420	4,177,715	26,024	**4,233,159**	3,572,104
RECEIVABLES:						
INTEREST AND DIVIDENDS		509	57,594		**58,103**	61,442
DUE FROM OTHER GOVERNMENTS	9,720	4,727	17,077	50,564	**42,088**	28,904
NOTES RECEIVABLE		2,347			**2,347**	1,684
OTHER, net of allowance for uncollectibles of $12,779 in 1986 and $18,128 in 1985 (Note 1)	50,020	58	40,734		**99,812**	90,605
INTERFUND RECEIVABLES (Note 2)	77		2,857	9,449	**12,383**	16,465
MACHINERY AND EQUIPMENT, at cost		8			**8**	8
LESS ACCUMULATED DEPRECIATION		(4)			**(4)**	(4)
TOTAL ASSETS	$ 683,700	$ 63,797	$ 4,804,985	$ 297,109	**$ 5,809,591**	$ 4,825,246
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
WARRANTS PAYABLE	$ 5,407	$ 632	$ 627	$ 5,785	**$ 12,451**	$ 14,975
ACCOUNTS PAYABLE AND ACCRUALS	17,386	1,844	84,410	133,295	**236,935**	187,149
INTERFUND PAYABLES (Note 2)	25,602	155			**25,757**	13,797
DEFERRED REVENUE	7,195	67			**7,262**	6,123
MEMBERS DEPOSITS	144,341				**144,341**	60,860
OBLIGATIONS UNDER REVERSE REPURCHASE AGREEMENTS			10,015		**10,015**	43,035
AMOUNTS HELD IN CUSTODY FOR OTHERS				118,029	**118,029**	80,107
ADVANCES FROM FEDERAL GOVERNMENT	9,762	1,349			**11,111**	4,784
TOTAL LIABILITIES	209,693	4,047	95,052	257,109	**565,901**	415,830
FUND BALANCES:						
CONTRIBUTED CAPITAL		31,389			**31,389**	21,644
CONTRIBUTED CAPITAL FROM PRIVATE SOURCES		8,188			**8,188**	3,625
RESERVED FOR PENSION BENEFITS			4,709,933		**4,709,933**	3,951,513
RESERVED FOR CHAIRS OF EXCELLENCE		3,711			**3,711**	1,082
RESERVED FOR UNEMPLOYMENT COMPENSATION BENEFITS	455,390				**455,390**	405,288
RESERVED FOR GUARANTEED STUDENT LOANS		13,731			**13,731**	10,065
UNRESERVED	18,617	2,731			**21,348**	16,202
TOTAL FUND BALANCES	474,007	59,750	4,709,933		**5,243,690**	4,409,416
TOTAL LIABILITIES AND FUND BALANCES	$ 683,700	$ 63,797	$ 4,804,985	$ 297,109	**$ 5,809,591**	$ 4,825,246

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS
JUNE 30, 1986

(Expressed in Thousands)

ASSETS	EMPLOYMENT SECURITY	EMPLOYEE GROUP INSURANCE	LOCAL GOVERNMENT INVESTMENT	TEACHER GROUP INSURANCE	COMMUNITY DEVELOPMENT	TOTALS JUNE 30, 1986	TOTALS JUNE 30, 1985
CASH AND CASH EQUIVALENTS	$ 600	$ 36,853	$170,108	$ 3,788	$ 42	**$ 211,400**	$ 106,086
CASH ON DEPOSIT WITH FISCAL AGENT	401,128	355				**403,483**	338,666
RECEIVABLES:							
DUE FROM OTHER GOVERNMENTS					9,720	**9,720**	3,409
OTHER, net of allowance for uncollectibles of $12,779 in 1986 and $18,129 in 1985 (Note 1)	58,899	118		3		**59,020**	74,566
INTERFUND RECEIVABLES (Note 2)	77					**77**	50
TOTAL ASSETS	$ 460,713	$ 37,326	$170,108	$ 3,791	$ 9,762	**$ 683,700**	$ 522,777
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE	$ 3,485	$ 1,756		$ 166		**$ 5,407**	$ 4,549
ACCOUNTS PAYABLE AND ACCRUALS	2,004	14,871		511		**17,386**	16,161
INTERFUND PAYABLES (Note 2)			$ 25,602			**25,602**	13,793
DEFERRED REVENUE	1,834	4,362		999		**7,195**	6,123
MEMBERS DEPOSITS			144,341			**144,341**	60,860
ADVANCES FROM FEDERAL GOVERNMENT					$ 9,762	**9,762**	3,435
TOTAL LIABILITIES	7,323	20,989	169,943	1,676	9,762	**209,693**	104,921
FUND BALANCES:							
RESERVED FOR UNEMPLOYMENT COMPENSATION BENEFITS	453,390					**455,390**	405,286
UNRESERVED		16,337	165	2,115		**18,617**	12,570
TOTAL FUND BALANCES	453,390	16,337	165	2,115		**474,007**	417,856
TOTAL LIABILITIES AND FUND BALANCES	$ 460,713	$ 37,326	$170,108	$ 3,791	$ 9,762	**$ 683,700**	$ 522,777

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	EMPLOYMENT SECURITY	EMPLOYEE GROUP INSURANCE	LOCAL GOVERNMENT INVESTMENT	TEACHER GROUP INSURANCE	TOTALS FOR THE YEAR ENDED JUNE 30, 1986	JUNE 30, 1985
REVENUES:						
EMPLOYER PREMIUMS	$ 190,770				$ 196,770	$ 203,935
MEMBER CONTRIBUTIONS		$ 27,269		$ 2,746	30,015	28,228
STATE CONTRIBUTIONS		61,641		1,780	63,421	54,485
INTEREST INCOME	38,600	2,479	$ 10,030	67	49,176	24,464
FEDERAL	14,394				14,394	28,120
OTHER	112				112	2,772
TOTAL REVENUES	247,841	91,389	10,030	4,589	353,888	411,004
EXPENDITURES:						
BENEFITS	187,777	78,411		2,341	270,529	238,749
REFUNDS						426
INSURANCE PREMIUMS		14,853			14,853	14,009
INTEREST ON DEPOSITS			9,826		9,826	4,295
ADMINISTRATIVE FEES		2,219	77	133	2,529	2,283
TOTAL EXPENDITURES	187,777	97,183	9,903	2,474	297,737	259,762
EXCESS OF REVENUES OVER EXPENDITURES	60,064	(5,794)	127	2,115	56,151	151,242
FUND BALANCES, JULY 1 (Note 2)	403,236	22,331	38		417,856	281,253
FUND BALANCES, JUNE 30	$ 463,300	$ 16,537	$ 165	$ 2,115	$ 474,007	$ 432,495

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
NONEXPENDABLE AND PENSION TRUST FUNDS
JUNE 30, 1986

(Expressed in Thousands)

ASSETS	NONEXPENDABLE TRUST: STUDENT ASSISTANCE CORPORATION	BOARD OF EQUALIZATION LOAN	CHAIRS OF EXCELLENCE	SUB-TOTAL	PENSION TRUST	TOTALS JUNE 30, 1986	TOTALS JUNE 30, 1985
CURRENT ASSETS:							
CASH AND CASH EQUIVALENTS	$ 13,358	$ 10,039	$ 3,335	$ 26,732	$ 509,008	$ 535,740	$ 418,210
INVESTMENTS, at cost or amortized cost					10,015	10,015	43,035
RECEIVABLES:							
INTEREST AND DIVIDENDS	60		440	500	57,594	58,103	61,442
DUE FROM OTHER GOVERNMENTS	1,665	3,062		4,727	17,077	21,804	14,579
NOTES RECEIVABLE	2,347			2,347		2,347	1,684
OTHER	58			58	40,734	40,792	16,039
INTERFUND RECEIVABLES (Note 2)	-				2,857	2,857	8,315
TOTAL CURRENT ASSETS	17,487	13,101	3,775	34,373	637,285	671,658	563,304
OTHER ASSETS:							
LONG-TERM INVESTMENTS, at cost or amortized cost			29,420	29,420	4,167,700	4,197,120	3,509,319
MACHINERY AND EQUIPMENT, at cost	8			8		8	9
LESS ACCUMULATED DEPRECIATION	(4)			(4)		(4)	(4)
TOTAL FIXED ASSETS	4			4		4	5
TOTAL ASSETS	$ 17,501	$ 13,101	$ 33,195	$ 63,797	$4,804,985	$ 4,868,782	$ 4,072,628
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE	$ 632			$ 632	$ 627	$ 1,259	$ 1,207
ACCOUNTS PAYABLE AND ACCRUALS	435	$ 1,409		1,844	84,410	86,254	35,393
INTERFUND PAYABLES (Note 2)	109		$ 46	155		155	4
DEFERRED REVENUE	67			67		67	
OBLIGATIONS UNDER REVERSE REPURCHASE AGREEMENTS					10,015	10,015	43,035
ADVANCE FROM FEDERAL GOVERNMENT	1,349			1,349		1,349	1,349
TOTAL LIABILITIES	2,592	1,409	46	4,047	95,052	99,099	81,068
FUND BALANCES							
CONTRIBUTED CAPITAL		10,139	21,250	31,389		31,389	31,644
CONTRIBUTED CAPITAL FROM PRIVATE SOURCES			8,199	8,199		8,199	8,625
RESERVED FOR PENSION BENEFITS					4,709,933	4,709,933	3,951,512
RESERVED FOR CHAIRS OF EXCELLENCE			3,711	3,711		3,711	1,097
RESERVED FOR GUARANTEED STUDENT LOANS	13,731			13,731		13,731	10,065
UNRESERVED	1,178	1,553		2,731		2,731	3,617
TOTAL FUND BALANCES	14,909	11,692	33,160	59,760	4,709,933	4,769,693	3,991,560
TOTAL LIABILITIES AND FUND BALANCES	$ 17,501	$ 13,101	$ 33,195	$ 63,797	$4,804,985	$ 4,868,782	$ 4,072,628

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
NONEXPENDABLE AND PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	NONEXPENDABLE TRUST					TOTALS FOR THE YEAR ENDED	
	STUDENT ASSISTANCE CORPORATION	BOARD OF EQUALIZATION LOAN	CHAIRS OF EXCELLENCE	SUB-TOTAL	PENSION TRUST	JUNE 30, 1986	JUNE 30, 1985
OPERATING REVENUES:							
MEMBER CONTRIBUTIONS					$ 71,692	$ 71,692	$ 66,726
STATE CONTRIBUTIONS					323,050	323,050	295,356
POLITICAL SUBDIVISION CONTRIBUTIONS					39,947	39,947	35,680
INTEREST INCOME	$ 1,109	$ 167		$ 1,276	221,553	222,829	216,990
DIVIDEND INCOME					51,431	51,431	38,338
NET INCOME FROM INVESTMENT TRANSACTIONS			$ 2,941	2,941	226,624	229,565	41,766
DISCOUNT AMORTIZATION					64,689	64,689	59,323
OTHER	2,480			2,480		2,480	1,122
TOTAL OPERATING REVENUES	3,589	167	2,941	6,697	998,986	1,005,683	755,301
OPERATING EXPENSES:							
PAYMENTS TO TIAA-CREF					20,118	20,118	17,598
BENEFITS					204,645	204,645	185,665
REFUNDS					21,302	21,302	22,774
AWARDS			270	270		270	20
LOAN CANCELLATIONS	154			154		154	78
ADMINISTRATIVE FEES	1,856		42	1,898		1,898	1,113
TOTAL OPERATING EXPENSES	2,010		312	2,322	246,065	248,387	227,248
OPERATING INCOME	1,579	167	2,629	4,375	752,921	757,296	528,053
NONOPERATING REVENUES (EXPENSES):							
OPERATING GRANTS	1,463			1,463		1,463	1,875
GRANT EXPENSE	(9,652)	(880)		(10,532)		(10,532)	(8,281)
TOTAL NONOPERATING REVENUES (EXPENSES)	(8,189)	(880)		(9,069)		(9,069)	(6,406)
INCOME (LOSS) BEFORE OPERATING TRANSFER	(6,610)	(713)	2,629	(4,694)	752,921	748,227	521,647
OPERATING TRANSFER FROM GENERAL FUND	9,208			9,208	5,500	14,708	57,333
NET INCOME (LOSS)	2,598	(713)	2,629	4,514	758,421	762,935	578,980
OTHER CHANGES IN FUND EQUITY:							
EQUITY TRANSFER FROM GENERAL FUND			10,000	10,000		10,000	17,125
EQUITY TRANSFER FROM COLLEGE AND UNIVERSITY FUNDS			625	625		625	625
CONTRIBUTIONS FROM PRIVATE SOURCES			4,563	4,563		4,563	3,625
NET CHANGE IN FUND EQUITY	2,598	(713)	17,817	19,702	758,421	778,123	600,355
FUND BALANCES, JULY 1 (Note 2)	12,311	12,405	15,332	40,048	3,951,512	3,991,560	3,391,205
FUND BALANCES, JUNE 30	$ 14,909	$ 11,692	$ 33,149	$ 59,750	$4,709,933	$ 4,769,683	$ 3,991,560

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
NONEXPENDABLE AND PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	NONEXPENDABLE TRUST					TOTALS FOR THE YEAR ENDED	
	STUDENT ASSISTANCE CORPORATION	BOARD OF EQUALIZATION LOAN	CHAIRS OF EXCELLENCE	SUB-TOTAL	PENSION TRUST	JUNE 30, 1986	JUNE 30, 1985
SOURCES OF WORKING CAPITAL:							
OPERATIONS:							
NET INCOME (LOSS)	$ 2,598	$ (713)	$ 2,629	$ 4,514	$ 759,421	$ 762,935	$ 578,980
ITEMS NOT PROVIDING WORKING CAPITAL - DISCOUNT AMORTIZATION					(64,689)	(64,689)	(59,323)
WORKING CAPITAL PROVIDED BY OPERATIONS	2,598	(713)	2,629	4,514	693,732	698,246	519,657
EQUITY TRANSFER FROM GENERAL FUND			10,000	10,000		10,000	17,125
EQUITY TRANSFER FROM COLLEGE AND UNIVERSITY FUND			625	625		625	625
CONTRIBUTIONS FROM PRIVATE SOURCES			4,563	4,563		4,563	3,625
TOTAL SOURCES OF WORKING CAPITAL	2,598	(713)	17,817	19,702	693,732	713,434	541,032
USES OF WORKING CAPITAL:							
PURCHASE OF LONG-TERM INVESTMENTS			29,420	29,420	593,692	623,112	442,503
NET CHANGE IN WORKING CAPITAL	$ 2,598	$ (713)	$(11,603)	$ (9,718)	$ 100,040	$ 90,322	$ 98,529
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:							
CASH	$ 1,221	$ (225)	$(11,997)	$(11,001)	$ 128,531	$ 117,530	$ 105,784
INVESTMENTS					(33,020)	(33,020)	(94,950)
RECEIVABLES	1,532	921	440	2,893	26,408	29,301	(7,383)
INTERFUND RECEIVABLES					(5,458)	(5,458)	5,158
WARRANTS PAYABLE	28			28		28	(238)
ACCOUNTS PAYABLE AND ACCRUALS	(111)	(1,400)		(1,420)	(49,441)	(50,861)	(4,791)
INTERFUND PAYABLES	(100)		(46)	(151)		(151)	(1)
DEFERRED REVENUE	(67)			(67)		(67)	
OBLIGATIONS UNDER REVERSE REPURCHASE AGREEMENTS					33,020	33,020	3,300
AMOUNTS HELD IN CUSTODY FOR OTHERS							91,650
NET CHANGE IN WORKING CAPITAL	$ 2,598	$ (713)	$(11,603)	$ (9,718)	$ 100,040	$ 90,322	$ 98,529

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
AGENCY FUNDS
JUNE 30, 1986

(Expressed in Thousands)

ASSETS	LOCAL GOVERNMENT	CONTINGENT REVENUE	DEFERRED COMPENSATION (Note 4)	TOTALS JUNE 30, 1986	TOTALS JUNE 30, 1985
CASH AND CASH EQUIVALENTS	$ 98,602	$ 112,470		**$ 211,072**	$ 191,075
INVESTMENTS, at market			$ 26,024	**26,024**	19,750
DUE FROM OTHER GOVERNMENTS		10,564		**10,564**	10,916
INTERFUND RECEIVABLES (Note 2)		9,321	128	**9,449**	8,100
TOTAL ASSETS	$ 98,602	$ 132,355	$ 26,152	**$ 257,109**	$ 229,841
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
WARRANTS PAYABLE	$ 366	$ 5,219		**$ 5,785**	$ 9,139
ACCOUNTS PAYABLE AND ACCRUALS	98,036	35,259		**133,295**	135,595
AMOUNTS HELD IN CUSTODY FOR OTHERS		91,877	$ 26,152	**118,029**	85,107
TOTAL LIABILITIES	$ 98,602	$ 132,355	$ 26,152	**$ 257,109**	$ 229,841

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	BALANCE JULY 1, 1985	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 1986
LOCAL GOVERNMENT FUND				
ASSETS				
CASH AND CASH EQUIVALENTS	$ 85,655	$ 902,696	$ 889,749	$ 98,602
LIABILITIES				
WARRANTS PAYABLE	$ 408	$ 881,199	$ 881,041	$ 566
DUE TO OTHER GOVERNMENTS	85,247	902,696	889,907	98,036
TOTAL LIABILITIES	$ 85,655	$ 1,783,895	$ 1,770,948	$ 98,602
CONTINGENT REVENUE FUND				
ASSETS				
CASH AND CASH EQUIVALENTS	$ 105,420	$ 2,238,662	$ 2,231,612	$ 112,470
DUE FROM OTHER GOVERNMENTS	10,916	10,564	10,916	10,564
INTERFUND RECEIVABLES (Note 2)	8,100	9,321	8,100	9,321
TOTAL ASSETS	$ 124,436	$ 2,258,547	$ 2,250,628	$ 132,355
LIABILITIES				
WARRANTS PAYABLE	$ 8,731	$ 55,067	$ 58,579	$ 5,219
DUE TO OTHER GOVERNMENTS	50,248	509,890	524,979	35,259
AMOUNTS HELD IN CUSTODY FOR OTHERS	65,357	1,732,979	1,706,459	91,877
TOTAL LIABILITIES	$ 124,436	$ 2,297,936	$ 2,290,017	$ 132,355
DEFERRED COMPENSATION FUND				
ASSETS				
INVESTMENTS, AT MARKET	$ 19,750	$ 6,274		$ 26,024
INTERFUND RECEIVABLE		128		128
TOTAL ASSETS	$ 19,750	$ 6,402		$ 26,152
LIABILITIES				
AMOUNTS HELD IN CUSTODY FOR OTHERS	$ 19,750	$ 6,402		$ 26,152
TOTALS-ALL AGENCY FUNDS				
ASSETS				
CASH AND CASH EQUIVALENTS	$ 191,075	$ 3,141,358	$ 3,121,361	$ 211,072
INVESTMENTS, AT MARKET	19,750	6,274		26,024
DUE FROM OTHER GOVERNMENTS	10,916	10,564	10,916	10,564
INTERFUND RECEIVABLES (Note 2)	8,100	9,449	8,100	9,449
TOTAL ASSETS	$ 229,841	$ 3,167,645	$ 3,140,377	$ 257,109
LIABILITIES				
WARRANTS PAYABLE	$ 9,139	$ 936,266	$ 939,620	$ 5,785
DUE TO OTHER GOVERNMENTS	135,495	1,412,586	1,414,886	133,295
AMOUNTS HELD IN CUSTODY FOR OTHERS	85,107	1,739,381	1,706,459	118,029
TOTAL LIABILITIES	$ 229,841	$ 4,088,233	$ 4,060,965	$ 257,109

See accompanying Notes to the Financial Statements.

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General Fixed Assets Account Group

The General Fixed Assets Account Group is maintained to account for fixed assets acquired for general governmental purposes. These include all fixed assets except those of the Enterprise, Internal Service, Nonexpendable Trust and College and University Funds.

STATE OF TENNESSEE
STATEMENT OF GENERAL FIXED ASSETS BY SOURCE
JUNE 30, 1986

(Expressed in Thousands)

GENERAL FIXED ASSETS:	
LAND	$ 65,619
STRUCTURES AND IMPROVEMENTS	677,082
MACHINERY AND EQUIPMENT	182,734
CONSTRUCTION IN PROGRESS	13,928
TOTAL GENERAL FIXED ASSETS	$ 939,363
INVESTMENT IN GENERAL FIXED ASSETS FROM:	
CAPITAL PROJECTS FUND:	
STATE APPROPRIATIONS	$ 22,130
GENERAL OBLIGATION BONDS	40,322
FEDERAL GRANTS	14,577
LOCAL GRANTS	1,460
OTHER	186
GENERAL FUND REVENUES	42,489
SPECIAL REVENUE FUNDS REVENUES	23,895
DONATIONS	3,957
OTHER	84
FIXED ASSETS ACQUIRED PRIOR TO JULY 1, 1984	790,263
TOTAL INVESTMENT IN GENERAL FIXED ASSETS	$ 939,363

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
STATEMENT OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
JUNE 30, 1989

(Expressed in Thousands)

FUNCTION AND ACTIVITY	LAND	STRUCTURES AND IMPROVEMENTS	MACHINERY AND EQUIPMENT	TOTAL
GENERAL GOVERNMENT:				
LEGISLATIVE			$ 624	$ 624
CONSTITUTIONAL OFFICES			1,431	1,431
ADMINISTRATION	$ 11,780	$ 126,026	7,947	145,753
REVENUE	3	173	1,886	2,062
TOTAL GENERAL GOVERNMENT	11,783	126,199	11,888	149,870
EDUCATION	1,183	86,726	39,198	127,107
HEALTH AND SOCIAL SERVICES:				
VETERANS AFFAIRS			3	3
EMPLOYMENT SECURITY	447	1,130	9,014	10,591
LABOR			760	760
MENTAL HEALTH AND MENTAL RETARDATION	1,481	126,106	2,755	130,342
HEALTH AND ENVIRONMENT	230	27,904	6,913	35,047
HUMAN SERVICES	53	6,211	3,454	9,718
TOTAL HEALTH AND SOCIAL SERVICES	2,211	161,351	22,899	186,461
LAW, JUSTICE AND PUBLIC SAFETY:				
JUDICIAL	300		1,617	1,917
CORRECTION	1,336	137,305	9,947	148,588
MILITARY	1,447	49,414	1,490	52,351
BUREAU OF CRIMINAL INVESTIGATION		1,147	3,369	4,516
SAFETY	364	11,436	11,438	23,238
TOTAL LAW, JUSTICE AND PUBLIC SAFETY	3,447	199,302	27,861	230,610
RECREATION AND RESOURCES DEVELOPMENT:				
AGRICULTURE	300	4,444	1,016	5,760
TOURIST DEVELOPMENT			274	274
CONSERVATION	33,511	90,382	4,240	128,133
WILDLIFE RESOURCES	11,474	4,569	4,225	20,268
ECONOMIC AND COMMUNITY DEVELOPMENT			1,181	1,181
TOTAL RECREATION AND RESOURCES DEVELOPMENT	45,285	99,395	10,936	155,616
REGULATION OF BUSINESS AND PROFESSIONS:				
INSURANCE			370	370
FINANCIAL INSTITUTIONS			34	34
TOTAL REGULATION OF BUSINESS AND PROFESSIONS			404	404
TRANSPORTATION	1,141	1,979	31,734	34,854
TOTALS ALLOCATED TO FUNCTIONS	$ 65,619	$ 677,082	$ 182,734	925,435
CONSTRUCTION IN PROGRESS				13,928
TOTAL GENERAL FIXED ASSETS (Notes 1 and 2)				$ 939,363

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

BY FUNCTION AND ACTIVITY

FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

FUNCTION AND ACTIVITY	GENERAL FIXED ASSETS JULY 1, 1985	ADDITIONS	RETIREMENTS	GENERAL FIXED ASSETS JUNE 30, 1986
GENERAL GOVERNMENT:				
LEGISLATIVE	$ 590	$ 57	$ 33	$ 614
CONSTITUTIONAL OFFICES	1,810	107	86	1,831
ADMINISTRATION	130,720	15,490	515	145,695
REVENUE	2,437	606	108	2,861
TOTAL GENERAL GOVERNMENT	135,557	16,260	742	149,811
EDUCATION	121,585	2,865	4,343	120,107
HEALTH AND SOCIAL SERVICES:				
VETERANS AFFAIRS	3		1	8
EMPLOYMENT SECURITY	9,990	546	30	10,206
LABOR	780	77	71	786
MENTAL HEALTH AND MENTAL RETARDATION	138,990	7,119	843	141,266
HEALTH AND ENVIRONMENT	31,326	10,533	7,650	34,209
HUMAN SERVICES	11,618	1,085	954	11,703
TOTAL HEALTH AND SOCIAL SERVICES	192,707	19,360	13,889	199,178
LAW, JUSTICE AND PUBLIC SAFETY:				
JUDICIAL	1,858	17	10	1,867
CORRECTION	121,731	10,431	3,303	128,863
COURTS	50,443	1,770	427	51,786
OFFICE OF CRIMINAL JUSTICE PROGRAMS	4,387	177	29	4,535
MILITARY	23,960	4,177	363	27,774
TOTAL LAW, JUSTICE AND PUBLIC SAFETY	202,381	14,572	4,178	214,775
RECREATION AND RESOURCE DEVELOPMENT:				
AGRICULTURE	5,784	52	76	5,760
ECONOMIC DEVELOPMENT	227	74	77	224
CONSERVATION	128,583	8,869	3,201	134,251
AGRICULTURE/CONSERVATION	24,196	1,057	1,506	23,747
TOURISM AND TENNESSEE CENTENNIAL	1,150	84	53	1,181
TOTAL RECREATION AND RESOURCE DEVELOPMENT	164,940	14,736	4,913	165,163
REGULATION OF BUSINESS AND EMPLOYMENT:				
INSURANCE	391	18	36	373
FINANCIAL INSTITUTIONS	33	1	10	34
TOTAL REGULATION OF BUSINESS AND EMPLOYMENT	424	19	36	407
TRANSPORTATION	67,331	17,174	1,401	75,994
UNALLOCATED FIXED ASSETS	11,714	4,734	2,478	13,970
TOTAL GENERAL FIXED ASSETS	$ 895,639	$ 111,720	$ 27,996	$ 979,363

General Long-Term Obligations Account Group

The General Long-Term Obligations Account Group is maintained to account for the outstanding principal balances of the State's general obligation bonds, for accrued annual and compensatory leave for employees paid from the Governmental Fund Types, and for capital lease obligations.

STATE OF TENNESSEE
STATEMENT OF CHANGES IN GENERAL LONG-TERM OBLIGATIONS
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

	BALANCE JULY 1, 1985	GENERAL OBLIGATION BONDS ISSUED	GENERAL OBLIGATION BONDS RETIRED	DEBT SERVICE FUND OPERATIONS	DEBT SERVICE DESIGNATION	OTHER INCREASES (DECREASES)	BALANCE JUNE 30, 1986
AMOUNT AVAILABLE IN DEBT SERVICE FUND	$ 3,753			$ 82	$ (2,200)		$ 1,635
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM OBLIGATIONS	541,840	$ 196,000	$ 50,135	(82)	$ 2,200	$ 4,649	694,481
TOTAL AVAILABLE AND TO BE PROVIDED	$545,593	$ 196,000	$ 50,135	$ -	$ -	$ 4,649	$ 696,116
GENERAL OBLIGATION DEBT PAYABLE (Note 3)	$480,695	$ 196,000	$ 50,135				$ 626,560
ACCRUED ANNUAL AND COMPENSATORY LEAVE	64,807					$ 4,672	69,479
CAPITAL LEASE OBLIGATIONS (Note 3)	91					(23)	67
	$545,593	$ 196,000	$ 50,135	$ -	$ -	$ 4,649	$ 696,116

See accompanying Notes to the Financial Statements.

College And University Funds

The College and University Funds are used to account for all transactions relating to public institutions of higher education and the state's area vocational-technical schools. These include seven universities, ten community colleges, four technical institutes and twenty-seven area vocational schools. These institutions maintain their own financial records which are not a part of the central accounting system operated by the Department of Finance and Administration.

Two governing boards are responsible for the operations of these institutions - the University of Tennessee Board of Trustees and the State Board of Regents. Coordination between these boards for such things as budgetary and capital outlay requests, the need for and location of new education institutions, and the approval of new academic and degree programs is provided by the Tennessee Higher Education Commission.

The University of Tennessee Board of Trustees - The University of Tennessee was first established in 1794 by the Legislature of the Federal Territory. Since that time it has grown into an institution of twenty-four different colleges and schools. The locations of its four primary campuses, various experimental stations and extension services have made the university state-wide in physical presence as well as in services. The main campus is located in Knoxville. The other primary campuses are located in Memphis, Martin and Chattanooga.

The State Board of Regents - The State University and Community College System of Tennessee was created by the General Assembly in 1972. Its member institutions (six universities, ten community colleges, four technical institutes and twenty-seven area vocational-technical schools) serve the state and its citizenry by providing education opportunities, research, continuing education and public activities. As a system, the institutions span the state and operate as a coordinated network of public education with each campus offering unique characteristics and services. The system consists of the following institutions:

UNIVERSITIES

Austin Peay State University	Clarksville
East Tennessee State University	Johnson City
Memphis State University	Memphis
Middle Tennessee State University	Murfreesboro
Tennessee State University	Nashville
Tennessee Technological University	Cookeville

COMMUNITY COLLEGES

Chattanooga State Technical Community College	Chattanooga
Cleveland State Community College	Cleveland
Columbia State Community College	Columbia
Dyersburg State Community College	Dyersburg
Jackson State Community College	Jackson
Motlow State Community College	Tullahoma
Roane State Community College	Harriman
Shelby State Community College	Memphis
Volunteer State Community College	Gallatin
Walters State Community College	Morristown

The community college movement is relatively new in Tennessee. Emerging from legislative study in the early 1960's, nine of the ten existing colleges were established by the General Assembly between 1965 and 1969. The locations of these institutions were determined by population need patterns. An act of the 1973 General Assembly changed the Chattanooga State Technical Institute to Chattanooga State Technical Community College, representing the 10th community college in the state. A broad range of two-year associate degree programs and one-to-two year certificate of proficiency programs is offered by each college.

STATE TECHNICAL INSTITUTES

Effective July 1, 1983 the governance of the state technical institutes was transferred from the State Department of Education to the State Board of Regents. The names and locations of the state technical institutes are:

Nashville State Technical Institute	Nashville
State Technical Institute at Knoxville	Knoxville
State Technical Institute at Memphis	Memphis
Tri-Cities State Technical Institute	Blountville

Various two-year associate degree programs are available at the technical institutes. In addition, special industrial and community service courses are offered as the demand arises from interested groups.

STATE AREA VOCATIONAL-TECHNICAL SCHOOLS

The state area vocational-technical schools were transferred from the State Department of Education to the State Board of Regents effective July 1, 1983. The twenty-seven area schools are located in the following Tennessee cities:

Athens	McMinnville
Chattanooga	Memphis
Covington	Morristown
Crossville	Murfreesboro
Dickson	Nashville
Elizabethton	Newbern
Harriman	Oneida
Hartsville	Paris
Hohenwald	Pulaski
Jacksboro	Ripley
Jackson	Savannah
Knoxville	Shelbyville
Livingston	Whiteville
McKenzie	

The purpose of the area vocational-technical schools is to provide occupational and technical training for current and future employees of existing and prospective industries and businesses of this state.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 1986

(Expressed in Thousands)

ASSETS	CURRENT FUNDS UNRESTRICTED	CURRENT FUNDS RESTRICTED	LOAN	ENDOWMENT AND SIMILAR	LIFE INCOME
CASH AND CASH EQUIVALENTS	$ 127,585	$ 20,979	$ 4,171	$ 11,172	$ 2,390
CASH ON DEPOSIT WITH FISCAL AGENTS					
INVESTMENTS	26	635		43,401	14,486
ACCOUNTS RECEIVABLE, net of allowance for uncollectibles of $19,158 in 1986 and $16,067 in 1985	32,686	23,602	1,167	534	3
NOTES RECEIVABLE, net of allowance for uncollectibles of $6,913 in 1986 and $7,112 in 1985	3,361	10	38,300	363	131
INTERFUND RECEIVABLES (Note 2)	9,694	348		27	
INVENTORIES	18,504				
PREPAID EXPENSES	1,368				
LAND					
STRUCTURES AND IMPROVEMENTS					
MACHINERY AND EQUIPMENT					
CONSTRUCTION IN PROGRESS					
OTHER ASSETS	6	187	27	2,003	
TOTAL ASSETS	$ 193,230	$ 45,761	$ 43,665	$ 57,500	$ 17,010
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
ACCOUNTS PAYABLE	$ 29,579	$ 4,308		$ 261	
ACCRUED LIABILITIES	58,934	387			
INTERFUND PAYABLES (Note 2)	8,522	19			$ 25
NOTES PAYABLE (Note 3)				16	
BONDS PAYABLE (Note 3)					
LEASE OBLIGATIONS PAYABLE (Note 3)					
DEFERRED REVENUE	24,763				
AMOUNTS HELD IN CUSTODY FOR OTHERS					
DEPOSITS PAYABLE	3,373	50			
OTHER	5,128				
TOTAL LIABILITIES	130,299	4,764		277	25
FUND EQUITY:					
NET INVESTMENT IN PLANT					
FUND BALANCE (Notes 1 and 2):					
RESERVED FOR:					
WORKING CAPITAL	39,353				
ENCUMBRANCES	14,254				
U. S. GOVERNMENT GRANTS REFUNDABLE			$ 36,039		
INSTITUTIONAL LOAN FUNDS			7,597		
ENDOWMENT				51,169	
TERM ENDOWMENT				1,130	
LIFE INCOME					16,985
PLANT					
OTHER	1,271	40,997			
UNRESERVED:					
DESIGNATED:					
INSTITUTIONAL LOAN FUNDS			39		
QUASI-ENDOWMENT				4,924	
OTHER	7,600				
UNDESIGNATED	453				
TOTAL FUND EQUITY	62,931	40,997	43,665	57,223	16,985
TOTAL LIABILITIES AND FUND BALANCE	$ 193,230	$ 45,761	$ 43,665	$ 57,500	$ 17,010

See accompanying Notes to the Financial Statements.

PLANT FUNDS					TOTALS	
UNEXPENDED	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	AGENCY	JUNE 30, 1986	JUNE 30, 1985
$ 77,189	$ 20,313	$ 20,803		$ 1,173	$ 285,775	$ 229,037
		29,549			29,549	24,860
9,443	470	20		3,619	72,100	64,002
932	77	28		47	59,076	52,898
3,978					46,143	52,519
2,009	147			8,667	20,892	15,549
					18,504	17,449
					1,368	2,764
			$ 52,061		52,061	51,099
			1,125,644		1,125,644	1,055,932
			449,539		449,539	413,567
			46,401		46,401	26,689
237				20	2,480	1,717
$ 93,788	$ 21,007	$ 50,400	$ 1,673,645	$ 13,526	$ 2,209,532	$ 2,008,082
$ 3,650	$ 9			$ 7	$ 37,814	$ 31,933
15			$ 915		60,251	53,119
					8,566	20,662
3,202			40,973		44,191	20,950
			272,844		272,844	245,477
			11,002		11,002	15,825
					24,763	22,281
				13,519	13,519	12,512
					3,423	3,477
59					5,187	3,962
6,926	9		325,734	13,526	481,560	430,198
			1,347,911		1,347,911	1,268,385
					39,353	43,019
					14,254	12,479
					36,039	34,546
					7,587	7,367
					51,169	44,128
					1,130	6
					16,985	13,520
64,162	397	$ 33,450			88,009	52,610
					42,268	32,797
					39	43
					4,924	4,889
12,527	20,601	3,190			63,918	55,147
173		13,760			14,386	8,948
80,862	20,998	50,400	1,347,911		1,727,972	1,577,884
$ 93,788	$ 21,007	$ 50,400	$ 1,673,645	$ 13,526	$ 2,209,532	$ 2,008,082

Statistical And Economic Data

The Statistical Data are presented to give report users a better historical perspective and assist in assessing current financial status and trends of the governmental unit. Economic Data are presented to allow a broader understanding of the economic and social environment in which State government operates.

TABLE I

STATE OF TENNESSEE
REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands)

	FOR THE YEAR ENDED JUNE 30									
SOURCE	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
TAXES	$1,370,729	$1,554,452	$1,680,202	$1,729,497	$1,808,481	$1,950,263	$2,047,603	$2,295,044	$2,776,915	$2,990,732
LICENSES, FEES AND PERMITS	29,095	33,688	35,802	38,260	40,339	45,283	47,601	60,320	64,370	61,935
INTEREST ON INVESTMENTS	23,869	29,116	52,994	72,354	69,973	71,243	62,981	56,567	77,935	79,664
FEDERAL	712,770	812,669	925,536	1,101,412	1,174,990	1,039,884	1,062,387	1,308,304	1,372,825	1,584,056
DEPARTMENTAL SERVICES	145,167	139,126	138,246	168,285	170,939	194,846	201,550	215,753	245,246	271,027
OTHER	1,503	5,580	5,246	10,083	7,317	18,734	30,148	9,368	10,273	12,858
TOTAL REVENUES-ALL GOVERNMENTAL FUND TYPES	$2,271,933	$2,573,631	$2,837,826	$3,123,248	$3,264,511	$3,322,963	$3,432,270	$3,945,356	$4,547,564	$5,000,272

TABLE II

STATE OF TENNESSEE
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands)

	FOR THE YEAR ENDED JUNE 30									
FUNCTION	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
GENERAL GOVERNMENT	$ 141,814	$ 142,727	$ 134,539	$ 174,117	$ 179,184	$ 153,618	$ 134,987	$ 134,958	$ 161,615	$ 177,487
EDUCATION	640,863	721,100	823,474	916,185	964,925	981,371	970,302	981,080	1,167,879	1,271,638
HEALTH AND SOCIAL SERVICES	609,235	750,400	825,806	959,620	1,028,512	1,035,710	1,103,524	1,295,742	1,380,586	1,647,763
LAW, JUSTICE AND PUBLIC SAFETY	90,592	115,607	128,982	145,516	162,715	176,984	193,465	212,925	256,243	300,349
RECREATION AND RESOURCES DEVELOPMENT	44,994	55,427	56,941	64,238	69,386	71,031	77,842	112,285	136,274	144,204
REGULATION OF BUSINESS AND PROFESSIONS	9,989	11,786	12,732	13,408	14,245	15,330	16,643	13,566	15,920	20,127
TRANSPORTATION	309,841	311,569	383,282	479,389	447,958	429,587	427,695	544,367	686,743	654,294
DEBT SERVICE	70,568	80,749	90,873	78,194	80,771	85,487	91,596	87,640	82,440	78,929
CAPITAL OUTLAY	53,314	50,453	50,685	78,554	52,951	41,280	25,405	31,537	41,211	59,168
TOTAL EXPENDITURES-ALL GOVERNMENTAL FUND TYPES	$2,030,322	$2,240,217	$2,512,314	$2,890,021	$2,999,727	$2,990,378	$3,041,499	$3,414,140	$3,840,931	$4,353,959

STATE OF TENNESSEE
TAX REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands)

	FOR THE YEAR ENDED JUNE 30									
TAX REVENUES	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
SALES AND USE	$ 690,079	$ 785,143	$ 886,515	$ 924,007	$ 981,106	$1,050,605	$1,106,186	$1,277,101	$1,657,724	**$1,771,907**
GASOLINE	96,153	99,101	103,003	94,167	90,531	115,758	115,398	115,270	112,792	**143,714**
MOTOR FUEL	16,271	18,104	20,005	19,646	26,516	30,923	31,869	35,409	36,794	**38,940**
GASOLINE INSPECTION	22,202	23,398	23,961	20,062	18,693	17,838	18,244	19,888	19,831	**21,352**
MOTOR VEHICLE REGISTRATION	85,809	84,301	89,894	90,761	89,785	105,635	104,607	111,892	117,897	**123,957**
INCOME	15,791	17,368	18,181	21,403	24,613	30,345	35,521	37,788	42,240	**46,057**
PRIVILEGE	21,218	25,385	28,407	28,473	28,291	26,445	29,072	37,865	41,433	**49,418**
GROSS RECEIPTS	38,463	66,581	71,616	77,051	89,032	99,242	105,787	110,740	112,457	**111,269**
ALCOHOLIC BEVERAGE	21,294	22,249	22,745	23,217	23,249	23,972	24,106	43,490	43,976	**43,765**
FRANCHISE	32,249	37,749	41,001	43,938	45,705	49,511	56,741	69,483	114,722	**143,624**
EXCISE	156,042	170,848	186,089	198,222	193,365	206,535	202,558	229,892	257,383	**261,690**
INHERITANCE AND ESTATE	41,247	57,588	37,493	28,307	76,273	78,639	36,908	35,126	32,939	**28,812**
TOBACCO	67,829	70,767	72,029	73,819	77,058	78,442	78,338	76,874	80,135	**80,444**
INSURANCE COMPANIES PREMIUM	43,525	50,033	55,443	60,006	62,145	63,927	67,345	71,592	85,738	**103,402**
OTHER	22,557	24,837	23,819	26,818	29,690	31,446	35,623	21,954	20,854	**22,381**
TOTAL TAX REVENUES-ALL GOVERNMENTAL FUND TYPES	$1,370,729	$1,553,452	$1,680,202	$1,729,897	$1,800,431	$1,959,263	$2,047,603	$2,295,044	$2,776,915	**$2,990,732**

STATE OF TENNESSEE
DESCRIPTION OF TAX SOURCES
ALL GOVERNMENTAL FUND TYPES
JUNE 30, 1986

Presented below is a brief description of the state's principal tax sources as shown in the preceding table. Since portions of some of these taxes are ultimately distributed to local governments, the preceding table reflects only those tax collections retained for state purposes.

SALES AND USE TAX - The retail sales and use tax, imposed in 1947, is the state's leading source of revenue. The current rate of 5.5% was made permanent July 1, 1985. The tax is applied to the sale, use, consumption, distribution, lease or rental of tangible personal property and, effective June 1, 1985, was extended to include most admission and amusement charges. Certain services including charges for transient accommodations, storage and parking, and telephone service for regular subscribers are also subject to sales tax. Utilities and anti-pollution equipment are taxed at rates ranging from 1% to 1.5%. Political subdivisions, governmental agencies, charitable and religious groups, non-profit organizations and certain items of tangible personal property including drugs are exempt.

GASOLINE TAX - The gasoline tax was first enacted in 1923. The tax is now levied at the rate of 16¢ on each gallon of gasoline or distillate refined, manufactured, sold, stored or distributed in Tennessee, as well as gasoline or distillate imported into the state. Refunds are granted on gasoline used for agricultural purposes, while political subdivisions and governmental agencies are exempt.

MOTOR FUEL TAX - The motor fuel tax was enacted in 1941. The tax is now imposed at the rate of 14¢ per gallon on the sale of diesel fuel. Effective July 1, 1984 a tax was levied on motor vehicles powered by liquified gas at rates ranging from $70 for passenger cars to $114 for the largest trucks. Owners of commercial vehicles may be charged additional tax based on number of miles driven in Tennessee.

GASOLINE INSPECTION FEE - The gasoline inspection fee was first enacted in 1890 for the purpose of assuring that gasoline and oil sold in the state met certain minimum standards. Currently, the rate is 1¢ per gallon on volatile substances having certain gravity level which are produced from petroleum, natural gas, oil shales or coal.

MOTOR VEHICLE REGISTRATION FEES - Since 1905 a fee has been charged for the registration of motor vehicles. Vehicles for personal use are charged $18.75. The fee for motorcycles is $5.75. Motor freight vehicles are charged fees ranging from $37.50 to $1,300.

INCOME TAX - Although Tennessee does not levy a general personal income tax, income derived from dividends and interest on stocks and bonds has been subject to tax since 1929. The tax rate is 6% on dividends from stocks and interest on bonds. Blind persons, pension trusts, profit-sharing trusts and qualifying low income persons 65 years of age or older are exempt from the tax.

PRIVILEGE TAX - The first state privilege tax in Tennessee was levied in 1799. During the ensuing 150 years, 132 business activities were made subject to the tax. Virtually all of these business-related privilege taxes were abolished in 1971 and re-enacted as part of other taxes. Currently, the privilege tax base is provided from litigation taxes, realty transfer, mortgage taxes, and marriage license fees.

GROSS RECEIPTS TAXES - There have been numerous additions, deletions and alterations in the group of taxable privileges comprising the gross receipts tax since it was first imposed in 1937. Currently, the tax covers bottlers, mixing bars, utilities, firearms, and vending machines. TVA payments "in lieu of taxes" based on power sales in Tennessee make up over 75% of collections.

ALCOHOLIC BEVERAGE TAX - The alcoholic beverage tax was enacted in 1939, authorizing the sale of alcoholic beverages in counties and municipalities in Tennessee if approved by local referendum. It provided for a system of state licensing fees and established a gallonage tax on wines and liquors sold in the state. Currently, the tax is levied at the rate of $4.00 per gallon on distilled spirits and $1.10 per gallon on wines, with additional fees for regulatory purposes and for the issuance of licenses and permits.

FRANCHISE TAX - The franchise tax, first collected in 1937, imposes an annual tax for the privilege of engaging in corporate form in the state. The tax is levied at the rate of $2.50 per $1,000 of corporate stock, surplus and undivided profits of domestic and foreign corporations operating in Tennessee.

EXCISE TAX - The excise tax originated in 1923 and has always been a major revenue source. The tax is presently applied at the rate of 6% of annual net earnings from business done in Tennessee by all corporations, co-operatives not-for-profit, joint stock associations, business trusts, state banks, national banks and savings and loan associations. Formulas are used for determining the appropriate tax for corporations doing business in Tennessee as well as other states.

INHERITANCE, ESTATE AND GIFT TAXES - The inheritance tax was first enacted in 1891. Originally the tax was applicable only to property going to collateral heirs, but was extended to lineal heirs in 1909. The rate and base are divided into two different classes and apply to all property, real and personal, with certain exemptions applicable to each class. During the 1978 and 1983 sessions of the General Assembly extensive changes were made in the inheritance, estate and gift tax statutes (Chapter 711, Public Acts, 1978 and Chapter 127, Public Acts, 1983). These changes have resulted in substantial decreases in collections.

TOBACCO TAXES - Tobacco taxes were first levied in 1925. The present tax equates to 13¢ per pack of 20 cigarettes and 6.6% of the wholesale cost for all other tobacco products.

COIN-OPERATED AMUSEMENT TAX - The tax, first enacted in 1943, is now applied to any coin or token-operated machine which contains a free play feature. The annual tax is $500 per device, which may be prorated for machines placed in operation after October in any year.

INSURANCE COMPANY PREMIUM TAX - This tax, first enacted in 1947, is applied to gross premiums paid by or for policyholders residing in this state on property located in the state. The rate is 1.75% for domestic life insurance companies, 3% for foreign life insurance companies and 2.5% for property and casualty insurance companies.

TABLE IV

STATE OF TENNESSEE
RATIO OF NET GENERAL LONG-TERM DEBT TO
ASSESSED VALUE AND NET DEBT PER CAPITA
FOR THE LAST TEN YEARS

(Expressed in Thousands except Ratio and Per Capita Data)

FOR THE YEAR ENDED JUNE 30	POPULATION	ASSESSED VALUE	GENERAL LONG-TERM DEBT			NET GENERAL LONG-TERM DEBT	
			TOTAL (NOTE)	LESS DEBT SERVICE FUND	NET	RATIO TO ASSESSED VALUE	PER CAPITA
1977	4,402	$11,904,000	$639,750	$ 3,805	$635,945	5.34%	$144.47
1978	4,462	12,739,400	698,940	1,800	697,140	5.47	156.24
1979	4,533	13,591,900	650,730	2,461	648,269	4.77	143.01
1980	4,602	16,647,800	603,920	2,821	600,199	3.61	130.42
1981	4,612	17,350,600	590,195	2,897	587,298	3.38	127.34
1982	4,633	18,642,000	539,070	2,436	536,634	2.88	115.83
1983	4,678	21,875,000	583,445	2,143	581,302	2.66	124.26
1984	4,732	25,239,000	530,820	6,574	524,246	2.08	110.79
1985	4,758	26,453,000	480,695	3,753	476,942	1.80	100.24
1986	**4,800(EST.)**	**27,700,000 (EST.)**	**626,570**	**1,635**	**624,935**	**2.26**	**130.19**

NOTE: Total General Long-Term Debt does not include State Loan Program Fund General Obligation Notes and Bonds as follows:

YEAR	NOTES	BONDS
1977	$95,000	$52,095
1978	43,375	50,905
1979	65,000	49,650
1980	44,000	48,330
1981	19,430	79,995
1982		78,270
1983		76,205
1984		73,930
1985		71,540
1986		69,025

These obligations are reported as debt of that enterprise in the accompanying financial statements.

TABLE V

STATE OF TENNESSEE
COMPUTATION OF LEGAL DEBT SERVICE MARGIN
JUNE 30, 1986

(Expressed in Thousands)

LEGAL DEBT SERVICE LIMIT (1986 PLEDGED REVENUES OF $352,138 ÷ 150%)	$234,759
LESS - 1986 DEBT SERVICE REQUIRED ON ALL GENERAL LONG-TERM DEBT, INCLUDING STATE LOAN PROGRAM FUND GENERAL OBLIGATION BONDS	85,624
LEGAL DEBT SERVICE MARGIN	**$149,135**

	PORTION PLEDGED	COLLECTIONS FOR FISCAL YEAR 1986			PLEDGED	
		ALL GOVERNMENTAL FUND TYPES	LOCAL GOVERNMENT FUND	TOTAL	PER CENT	AMOUNT
CALCULATION OF 1986 PLEDGED REVENUES, AS ABOVE:						
GASOLINE TAX	5¢ of the 12¢ tax per gallon	$ 143,714	$127,885	$ 271,599	41.7%	$113,166
GASOLINE INSPECTION FEE	All	21,352	12,017	33,369	100.0	33,369
MOTOR VEHICLE REGISTRATION FEE	One-half	123,957		123,957	50.0	61,979
FRANCHISE TAX	All	143,624		143,624	100.0	143,624
TOTALS		**$ 432,647**	**$139,902**	**$ 572,549**		**$352,138**

NOTE: Pledged revenues for the last five years are shown below:

FISCAL YEAR	PLEDGED REVENUES	PER CENT INCREASE (DECREASE)
1982	$243,944	4.4
1983	250,595	2.7
1984	268,269	7.1
1985	314,286	17.2
1986	352,138	12.0

TABLE VI

STATE OF TENNESSEE
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL
LONG-TERM DEBT TO TOTAL EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands except Ratio Data)

FOR THE YEAR ENDED JUNE 30	DEBT SERVICE	TOTAL EXPENDITURES	RATIO
1977	$76,566	$2,036,122	3.76%
1978	80,748	2,247,217	3.59
1979	80,873	2,512,304	3.22
1980	78,104	2,890,021	2.70
1981	80,774	2,999,525	2.69
1982	85,487	2,990,378	2.86
1983	91,596	3,043,499	3.01
1984	87,640	3,414,140	2.57
1985	83,440	3,849,951	2.17
1986	**78,929**	**4,353,959**	**1.81**

TABLE VII

STATE OF TENNESSEE
SCHEDULE OF REVENUE BOND COVERAGE
TENNESSEE HOUSING DEVELOPMENT AGENCY FUNDS
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands except Coverage)

FOR THE YEAR ENDED JUNE 30	DEDICATED REVENUES	RELATED EXPENSES	NET AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS	COVERAGE (NOTE)
1977	$ 7,893	$ 278	$ 7,615	$ 7,233	1.05
1978	13,104	712	12,392	11,825	1.05
1979	24,339	928	23,411	20,177	1.16
1980	32,289	1,123	31,166	26,548	1.17
1981	42,335	1,478	40,857	38,609	1.06
1982	45,141	1,600	43,541	44,424	.98
1983	63,336	1,805	61,531	65,174	.94
1984	63,216	1,995	61,221	65,451	.94
1985	80,733	2,385	78,348	83,714	.94
1986	**101,095**	**2,938**	**98,157**	**105,117**	**.93**

NOTE: Under THDA's series bond resolutions, scheduled amounts of anticipated mortgage loan prepayments are used each year to pay a portion of maturing bond principal. Accordingly, in addition to the net revenue available for debt service shown above, THDA applied some $8.8 million in prepayments against fiscal year 1986's debt service requirements.

STATE OF TENNESSEE
SCHEDULE OF REVENUE BOND COVERAGE
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands except Coverage)

		DEBT SERVICE REQUIREMENTS			
FOR THE YEAR ENDED JUNE 30	FEES AND CHARGES	TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER THAN AUTHORITY	TOTAL	COVERAGE
1977	$ 144,728	$ 12,769	$1,297	$ 14,066	10.3
1978	155,937	12,939	1,342	14,281	10.9
1979	174,513	13,109	1,261	14,370	12.1
1980	193,954	13,013	2,038	15,051	12.9
1981	229,638	13,014	1,451	14,465	15.9
1982	262,407	13,009	1,435	14,444	18.2
1983	290,454	12,526	1,340	13,866	20.9
1984	291,675	19,766	1,333	27,099	13.8
1985	357,999	22,136	1,359	23,495	15.0
1986	**378,127**	**25,691**	**714**	**26,405**	**14.3**

TABLE VIII

STATE OF TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS
JUNE 30, 1986

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	GENERAL LONG-TERM DEBT			STATE LOAN PROGRAM FUND DEBT		
	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
1987	$ 59,925	$ 35,751	$ 95,676	$ 2,655	$ 4,089	$ 6,744
1988	58,265	33,629	91,994	2,806	3,945	6,750
1989	55,615	30,478	86,093	2,975	3,792	6,767
1990	55,615	27,410	83,025	3,050	3,629	6,679
1991	52,965	24,424	77,389	3,195	3,461	6,656
1992	48,165	21,507	69,672	3,355	3,285	6,640
1993	41,755	18,908	60,663	3,550	3,100	6,650
1994	41,755	16,457	58,212	3,715	2,903	6,618
1995	38,755	14,091	52,846	3,900	2,695	6,595
1996	33,237	11,866	45,061	3,775	2,474	6,249
1997	21,453	9,857	31,312	3,015	1,256	5,271
1998	16,713	8,432	25,137	2,070	2,079	5,149
1999	16,715	7,209	23,924	3,270	1,896	5,166
2000	16,710	5,904	22,709	3,465	1,700	5,165
2001	14,800	4,777	19,577	3,335	1,490	4,825
2002	14,800	3,702	18,502	3,530	1,293	4,823
2003	9,800	2,627	12,427	3,120	1,082	4,202
2004	9,800	1,970	11,770	3,310	891	4,201
2005	9,800	1,313	11,113	3,195	688	3,883
2006	9,800	657	10,457	1,930	488	2,418
2007				1,090	361	1,451
2008				1,160	279	1,439
2009				1,235	192	1,427
2010				1,325	99	1,424
TOTALS	$ 626,570	$ 280,989	$907,559	$ 69,025	$ 48,167	$117,192

TABLE IX

STATE OF TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY
REVENUE BONDS
JUNE 30, 1986

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	HOUSING DEVELOPMENT AGENCY DEBT (NOTE)			LOCAL DEVELOPMENT AUTHORITY DEBT			COLLEGE AND UNIVERSITY DEBT		
	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
1987	$ 22,410	$ 80,366	$ 102,776	$ 1,277	$ 5,429	$ 6,706	$ 8,873	$ 19,208	$ 28,081
1988	26,941	78,703	105,644	1,360	5,346	6,706	9,217	18,667	27,884
1989	28,050	76,786	104,836	1,455	5,251	6,706	9,886	18,091	27,977
1990	29,135	74,691	103,826	1,564	5,142	6,706	10,493	17,460	27,953
1991	30,458	72,404	103,062	1,689	5,016	6,705	11,187	16,785	27,972
1992	33,694	69,868	103,562	1,829	4,877	6,706	11,909	16,053	27,962
1993	35,187	67,088	102,275	1,984	4,722	6,706	12,523	15,261	27,784
1994	35,291	64,144	99,435	2,158	4,548	6,706	9,467	14,412	23,879
1995	36,672	61,023	97,695	2,350	4,356	6,706	9,993	13,864	23,857
1996	38,629	57,643	96,272	2,561	4,144	6,705	10,521	13,281	23,802
1997	41,040	54,012	95,052	2,562	3,909	6,471	10,810	12,654	23,464
1998	45,256	53,322	98,578	2,803	3,668	6,471	11,212	12,003	23,215
1999	37,973	52,744	90,717	2,652	3,399	6,051	11,880	11,296	23,176
2000	37,898	49,216	87,114	2,911	3,140	6,051	12,457	10,545	23,002
2001	38,665	45,691	84,356	2,011	2,852	4,863	10,919	9,745	20,664
2002	42,003	41,887	84,790	2,211	2,653	4,864	13,229	9,018	22,247
2003	45,608	37,720	83,328	2,430	2,432	4,862	10,595	8,161	18,756
2004	49,913	33,214	83,127	2,304	2,189	4,493	11,307	7,422	18,729
2005	51,072	41,091	92,163	2,447	1,959	4,406	11,974	6,627	18,601
2006	45,444	49,499	94,943	1,602	1,711	3,313	10,216	5,781	15,997
2007	45,000	55,438	100,438	1,764	1,549	3,313	7,477	5,009	12,486
2008	32,165	75,173	107,338	1,943	1,370	3,313	7,122	4,373	11,495
2009	28,678	72,722	101,400	2,140	1,173	3,313	7,712	3,724	11,436
2010	24,351	81,049	105,400	2,356	957	3,313	8,372	3,021	11,393
2011	21,112	79,382	100,494	2,437	718	3,155	8,448	2,253	10,701
2012	19,867	81,746	101,613	1,972	471	2,443	7,955	1,482	9,437
2013	8,381	84,704	93,085	967	271	1,238	2,205	709	2,914
2014	7,493	84,385	91,878	843	174	1,017	2,360	489	2,849
2015	7,351	77,589	84,940	873	88	961	2,525	252	2,777
2016	7,166	28,405	35,571						
2017	8,041	11,010	19,051						
2018	1,379	32,757	34,136						
TOTALS	$963,632	$ 1,925,263	$ 2,888,895	$ 57,475	$ 83,514	$140,989	$ 272,844	$ 277,646	$ 550,490

NOTE: Tennessee Housing Development Agency debt principal above is less than that presented in the accompanying financial statements by $6,594. This amount, representing the accretion to date of interest on compound multiplier bonds, has been reported as bond principal in the financial statements; it is reported above as interest in those years (2009-2014) the bonds mature.

STATE OF TENNESSEE
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
JUNE 30, 1986

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	GENERAL OBLIGATION BONDS		REVENUE BONDS			TOTAL REQUIREMENTS
	GENERAL LONG-TERM DEBT	STATE LOAN PROGRAM DEBT	HOUSING DEVELOPMENT AGENCY DEBT	LOCAL DEVELOPMENT AUTHORITY DEBT	COLLEGE AND UNIVERSITY DEBT	
1987	$ 95,678	$ 6,744	$ 102,776	$ 6,706	$ 28,081	$ 239,983
1988	91,994	6,750	105,644	6,706	27,884	238,978
1989	86,093	6,767	104,836	6,706	27,977	232,379
1990	83,025	6,679	103,826	6,706	27,953	228,189
1991	77,389	6,656	103,062	6,705	27,972	221,784
1992	69,672	6,640	103,562	6,706	27,962	214,542
1993	60,663	6,650	102,275	6,706	27,784	204,078
1994	58,212	6,618	99,435	6,706	23,879	194,850
1995	52,846	6,595	97,695	6,706	23,857	187,699
1996	45,081	6,249	96,272	6,705	23,802	178,089
1997	31,312	5,271	95,052	6,471	23,464	161,570
1998	25,137	5,149	98,578	6,471	23,215	158,550
1999	23,924	5,166	90,717	6,051	23,176	149,034
2000	22,709	5,165	87,114	6,051	23,002	144,041
2001	19,577	4,825	84,356	4,863	20,664	134,285
2002	18,502	4,823	84,790	4,864	22,247	135,226
2003	12,437	4,202	83,328	4,862	18,736	123,575
2004	11,770	4,201	83,127	4,493	18,729	122,320
2005	11,113	3,883	92,163	4,406	18,601	130,166
2006	10,457	2,418	94,943	3,313	15,997	127,128
2007		1,451	100,438	3,313	12,486	117,688
2008		1,439	107,338	3,313	11,495	123,585
2009		1,427	101,400	3,313	11,436	117,576
2010		1,424	105,400	3,313	11,393	121,530
2011			100,494	3,155	10,701	114,350
2012			101,613	2,443	9,437	113,493
2013			93,085	1,238	2,914	97,237
2014			91,878	1,017	2,849	95,744
2015			84,940	961	2,777	88,678
2016			35,571			35,571
2017			19,051			19,051
2018			34,136			34,136
TOTALS	$ 907,559	$ 117,192	$ 2,888,895	$ 140,969	$ 550,490	$ 4,605,105

STATE OF TENNESSEE
STATEMENT OF OUTSTANDING DEBT
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE LAST FIVE FISCAL YEARS

(Expressed in Thousands)

	JUNE 30				
	1982	1983	1984	1985	1986
CAPITAL PROJECTS FUND -					
BOND ANTICIPATION NOTES	$ 146,300	$ 46,140	$ 88,520	$ 67,770	$ 115,800
ENTERPRISE FUNDS:					
LOCAL DEVELOPMENT AUTHORITY NOTES	90,675	92,250	78,280	90,280	62,500
LOCAL DEVELOPMENT AUTHORITY BONDS				58,662	57,455
STATE LOAN PROGRAM BONDS	78,270	76,205	73,930	71,530	69,025
TENNESSEE HOUSING DEVELOPMENT AGENCY BONDS	509,744	648,639	655,557	822,816	970,386
	678,689	817,094	807,767	1,043,288	1,159,366
INTERNAL SERVICE FUNDS:					
INFORMATION SYSTEM SERVICES NOTES		1,522			
TENNESSEE STATE SCHOOL BOND AUTHORITY NOTES		58,710			
TENNESSEE STATE SCHOOL BOND AUTHORITY BONDS	52,222	52,248	52,274	52,300	
TENNESSEE STATE SCHOOL BOND AUTHORITY CALL PREMIUMS	1,533	1,533	1,533	1,533	
	53,755	114,013	53,807	53,833	
GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP - BONDS	539,070	583,445	530,820	480,695	626,570
COLLEGE AND UNIVERSITY FUNDS:					
ENDOWMENT FUND NOTES	16	16	16	16	16
PLANT FUND NOTES	37,533	2,088	2,067	20,934	44,175
PLANT FUND BONDS	172,924	243,881	238,709	245,477	272,844
	210,473	245,985	240,792	266,427	317,035
TOTALS	$ 1,628,287	$ 1,806,677	$ 1,721,706	$ 1,911,943	$ 2,218,771

STATE OF TENNESSEE
ECONOMIC CHARACTERISTICS*

TENNESSEE'S ECONOMIC GROWTH

The economic future for Tennessee remains bright. The decisions by Saturn and Nissan to locate their production facilities in Tennessee are very visible signs that the state is a desirable place to do business. Characteristics of the state which have been identified as important reasons why firms have chosen Tennessee sites include work-force related factors such as worker productivity, right-to-work laws and low unionization, as well as access to markets and pro-business attitude of the state. Other factors include relatively inexpensive energy, plentiful natural resources and sun-belt location. Tennessee's gross state product as a percentage of gross national product was 1.83% in 1977 and 1986, and personal income was 1.64% in the same years.

(Expressed in Millions)

YEAR	GROSS STATE PRODUCT	PERSONAL INCOME	DISPOSABLE PERSONAL INCOME
1977	$ 34,981	$ 25,156	$ 22,524
1978	39,912	28,691	25,707
1979	43,906	32,094	28,799
1980	46,693	35,332	31,440
1981	52,426	39,468	35,238
1982	54,133	41,960	37,729
1983	58,815	44,580	40,408
1984	65,139	49,048	44,693
1985	68,921	52,566	48,012
1986 (EST)	**73,200**	**56,255**	**51,492**

	TENNESSEE GROSS STATE PRODUCT BY SECTOR (Expressed in Millions)			SECTOR AS PERCENTAGE OF 1986 TOTAL
	1976	1981	1986	
MANUFACTURING	$10,724	$18,160	$23,632	32.3%
CONSTRUCTION	1,266	1,862	2,553	3.5
MINING	266	667	540	0.7
TRADE	5,069	8,038	12,140	16.6
SERVICES	3,194	6,001	9,889	13.5
FINANCE, INSURANCE AND REAL ESTATE	3,605	6,353	9,593	13.1
TRANSPORTATION, COMMUNICATION AND PUBLIC UTILITIES	2,299	4,129	6,191	8.5
FEDERAL GOVERNMENT	1,302	2,351	2,601	3.5
STATE AND LOCAL GOVERNMENT	2,149	3,618	5,123	7.0
AGRICULTURE	735	1,247	938	1.3
TOTAL GROSS STATE PRODUCT	$30,609	$52,426	$73,200	100.0%

	TENNESSEE AVERAGE ANNUAL WAGE BY SECTOR			PERCENTAGE CHANGE (FROM 1976 TO 1986)
	1976	1981	1986	
MANUFACTURING	$ 9,859	$ 15,152	$ 17,687	79.4%
CONSTRUCTION	9,928	15,031	19,568	97.1
MINING	11,328	18,749	24,159	113.3
TRADE	7,756	11,142	13,581	75.1
SERVICES	8,031	12,362	16,301	103.0
FINANCE, INSURANCE AND REAL ESTATE	9,814	14,924	20,483	108.7
TRANSPORTATION, COMMUNICATION AND PUBLIC UTILITIES	13,324	20,449	25,951	94.8
FEDERAL GOVERNMENT	14,607	21,736	28,778	97.0
STATE AND LOCAL GOVERNMENT	8,230	12,645	17,263	109.8
AGRICULTURE	3,234	5,435	6,566	103.0
ALL SECTORS	$ 9,169	$ 13,906	$ 17,687	92.9%

*Except as otherwise noted, the source for all economic information presented is the Tennessee Econometric Model developed by the Center for Business and Economic Research, College of Business Administration, The University of Tennessee, Knoxville.

MANUFACTURING

The manufacturing sector in Tennessee continues to experience a strong expansion, bolstered by Saturn Corporation's selection of Tennessee for its $3.5 billion manufacturing and assembly complex. The state continues to be attractive to a variety of manufacturers as evidenced by the $4.53 billion in announced capital investment in 1985, an all-time, Southern states record for capital investment. The combined new plant and expansion projects announced are expected to create 25,750 new job opportunities, the highest in the last 10 years. The tables which follow indicate the state's manufacturing gross product, employment and industrial expansion.

TENNESSEE MANUFACTURING GROSS PRODUCT
(Expressed in Millions)

	1976	1981	1986	PERCENTAGE CHANGE (FROM 1976 TO 1986)
DURABLES:				
FURNITURE AND FIXTURES	$ 327	$ 491	$ 940	187.5%
FABRICATED METALS	705	1,134	1,934	174.3
NONELECTRICAL MACHINERY	882	1,741	2,463	179.1
ELECTRICAL MACHINERY	776	1,041	1,887	143.2
TRANSPORTATION EQUIPMENT	535	827	1,399	165.1
OTHER	1,439	2,012	2,764	92.1
TOTAL DURABLES	4,663	7,831	11,370	144.3
NONDURABLES:				
FOOD	1,118	1,991	2,472	121.1
TEXTILES	369	534	687	86.2
APPAREL	816	1,178	1,434	75.1
PAPER	549	991	1,628	196.5
PRINTING AND PUBLISHING	419	821	1,331	215.3
CHEMICALS	1,419	1,818	2,480	90.1
RUBBER AND PLASTICS	491	957	1,317	167.2
OTHER	395	819	928	36.4
TOTAL NONDURABLES	5,971	10,329	13,269	102.0
TOTALS	$ 10,735	$ 18,160	$ 23,631	120.3%

TENNESSEE MANUFACTURING EMPLOYMENT
(Expressed in Thousands)

	1976	1981	1986	PERCENTAGE CHANGE (FROM 1976 TO 1986)
DURABLES:				
FURNITURE AND FIXTURES	24.1	32.4	26.5	10.0%
FABRICATED METALS	30.5	31.9	38.7	26.9
NONELECTRICAL MACHINERY	30.4	36.4	36.2	19.5
ELECTRICAL MACHINERY	34.5	41.4	35.8	3.8
TRANSPORTATION EQUIPMENT	20.4	25.0	27.9	36.8
OTHER	68.6	68.6	73.5	7.1
TOTAL DURABLES	208.4	235.7	238.8	13.2
NONDURABLES:				
FOOD	39.6	38.2	37.6	(5.3)
TEXTILES	29.3	26.3	22.8	(22.2)
APPAREL	72.6	69.2	62.7	(13.6)
PAPER	15.2	17.8	19.3	27.0
PRINTING AND PUBLISHING	24.0	27.6	31.3	30.4
CHEMICALS	36.3	34.2	29.6	(29.9)
RUBBER AND PLASTICS	16.7	21.0	22.5	34.7
OTHER	24.7	23.8	19.6	(49.0)
TOTAL NONDURABLES	278.7	292.3	244.4	(10.9)
TOTALS	487.1	528.1	483.1	(0.8)%

INDUSTRIAL GROWTH IN TENNESSEE
NEW PLANTS AND EXPANSIONS

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
NUMBER:										
NEW	97	141	104	90	80	70	73	118	109	**118**
EXPANSIONS	194	195	136	151	129	158	137	204	253	**189**
	291	336	240	241	209	228	210	322	362	**307**
INVESTMENT (IN THOUSANDS):										
NEW	$ 215,064	$ 177,555	$ 212,002	$ 238,945	$ 922,894	$ 119,147	$ 173,405	$ 207,536	$ 329,403	**$3,764,765**
EXPANSIONS	255,787	397,536	367,874	353,274	853,470	463,731	587,578	1,116,533	1,015,274	**764,083**
	$ 470,851	$ 575,091	$ 579,876	$ 592,219	$1,776,364	$ 582,878	$ 760,983	$1,324,069	$1,344,677	**$4,528,848**
JOB OPPORTUNITIES:										
NEW	7,967	9,542	7,674	5,942	7,294	3,679	5,336	8,154	7,065	**14,709**
EXPANSIONS	8,868	8,927	6,750	8,922	5,460	9,253	5,602	11,897	15,065	**11,041**
	16,835	18,469	14,424	14,864	12,754	12,932	10,938	20,051	22,130	**25,750**

FIFTY LARGEST INDUSTRIAL EMPLOYERS

(Ranked by Number of Employees)

	COMPANY	NUMBER OF PLANTS	NUMBER OF EMPLOYEES
1.	MARTIN MARIETTA CORP.	4	17,603
2.	EASTMAN KODAK COMPANY	2	11,050
3.	E.I. DUPONT DE NEMOURS & CO	4	6,512
4.	NORTH AMERICAN PHILIPS CORP.	5	4,838
5.	ARCATA CORPORATION	3	4,700
6.	ALUMINUM CO. OF AMERICA	2	4,200
7.	ALUSUISSE	5	4,130
8.	GULF & WESTERN INDUSTRIES, INC.	17	3,746
9.	GENESCO, INC.	15	3,638
10.	GENERAL ELECTRIC COMPANY	6	3,570
11.	LEVI STRAUSS & COMPANY	7	3,519
12.	COMBUSTION ENGINEERING, INC.	1	3,500
13.	AKZO N.V.	2	3,143
14.	HENRY I. SIEGEL COMPANY, INC.	8	3,055
15.	UNITED TECHNOLOGIES CORPORATION	8	2,973
16.	GOODYEAR TIRE & RUBBER COMPANY	1	2,900
17.	NISSAN MOTOR COMPANY LTD	1	2,900
18.	NORTHWEST INDUSTRIES, INC.	7	2,797
19.	WASHINGTON MANUFACTURING CO.	11	2,724
20.	SALANT CORPORATION	6	2,609
21.	BROWN GROUP, INC.	8	2,607
22.	AVCO STRUCTURES	1	2,500
23.	KELLWOOD COMPANY	8	2,332
24.	BEATRICE COMPANIES, INC.	6	2,237
25.	RAYTHEON COMPANY	2	2,200
26.	UNITED STATES SHOE CORP.	2	2,132
27.	U. S. INDUSTRIES, INC.	2	2,100
28.	BLUE BELL, INC.	8	2,086
29.	MCKEE BAKING COMPANY	3	2,075
30.	TRW, INC.	4	2,055
31.	FORD MOTOR COMPANY	1	2,000
32.	GANNETT COMPANY, INC.	1	2,000
33.	ALADDIN INDUSTRIES, INC.	2	1,979
34.	SCHERING-PLOUGH CORPORATION	2	1,880
35.	THE E.W. SCRIPPS COMPANY	2	1,850
36.	KAISER-ROTH	2	1,840
37.	ROBERTSHAW CONTROLS CO.	3	1,835
38.	THE TRANE COMPANY	1	1,700
39.	STATE INDUSTRIES, INC.	1	1,560
40.	UNION CARBIDE CORPORATION	6	1,553
41.	EATON CORPORATION	4	1,515
42.	AEOLIAN CORPORATION	2	1,500
43.	C.I.T. FINANCIAL CORP.	1	1,500
44.	BOWATER CORPORATION, INC.	1	1,489
45.	CITIES SERVICE COMPANY	1	1,475
46.	SPERRY CORPORATION	1	1,400
47.	BURLINGTON INDUSTRIES, INC.	2	1,360
48.	EMHART CORPORATION	1	1,356
49.	JIM WALTER CORPORATION	3	1,352
50.	MARLENE INDUSTRIES CORP.	3	1,345

SOURCE: Tennessee Department of Economic and Community Development.

AGRICULTURE

Important export commodities such as soybeans, tobacco, feed grains, cotton, and greenhouse and nursery products are among the top income earners for Tennessee farmers.

CASH RECEIPTS
(Expressed in Millions)

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
CROPS	$ 706.9	$ 722.8	$ 842.1	$ 996.7	$1,154.2	$1,069.5	$ 888.9	$ 981.2	$ 957.5	**$ 996.6**
MEAT ANIMALS	387.6	566.6	607.5	509.2	425.4	482.1	503.6	645.5	592.3	**622.3**
DAIRY PRODUCTS	206.3	214.7	244.1	287.3	308.5	304.6	295.3	269.7	282.9	**294.9**
POULTRY AND EGGS	90.9	90.0	102.6	108.4	118.6	113.0	109.1	88.2	90.4	**92.9**
TOTALS	$1,391.7	$1,594.1	$1,796.3	$1,901.6	$2,006.7	$1,969.2	$1,796.9	$1,984.6	$1,923.1	**$2,006.7**

POPULATION AND EMPLOYMENT TREND

The state's population has increased close to 1% per year with a shift in recent years to a net in-migration condition from one of a net out-migration.

(Expressed in Thousands except Unemployment Rates)

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
POPULATION	4,402	4,462	4,533	4,602	4,612	4,633	4,678	4,732	4,758	**4,800**
LABOR FORCE	1,945	1,969	2,043	2,082	2,111	2,119	2,144	2,227	2,281	**2,302**
TOTAL EMPLOYMENT	1,822	1,856	1,924	1,930	1,919	1,876	1,907	2,033	2,081	**2,122**
UNEMPLOYMENT	123	113	119	152	192	243	237	194	180	**180**
TENNESSEE UNEMPLOYMENT RATE	6.3%	5.7%	5.8%	7.3%	9.1%	11.5%	11.1%	8.7%	8.0%	**7.8%**
U. S. UNEMPLOYMENT RATE	7.1%	6.1%	5.8%	7.1%	7.6%	9.6%	10.2%	7.4%	7.5%	**7.3%**

BANK DEPOSITS, INTERNAL REVENUE COLLECTIONS, RETAIL SALES AND EFFECTIVE BUYING INCOME

YEAR	(Expressed in Millions) BANK DEPOSITS	INDIVIDUAL IRS COLLECTIONS	RETAIL SALES	(Expressed in Thousands) EFFECTIVE BUYING INCOME MEDIAN HOUSEHOLD
1976	$ 14,249	$ 2,226	$ 12,748	$11.6
1977	15,840	2,633	14,255	12.7
1978	17,141	2,984	15,712	13.4
1979	18,494	3,296	16,375	14.8
1980	19,798	3,775	17,373	15.8
1981	21,156	4,398	18,729	17.0
1982	22,893	4,959	19,870	19.0
1983	24,682	4,991	21,157	19.8
1984	28,306	4,728	24,766	21.3
1985	**29,559**	**4,550**	**26,349**	**19.8**

NEW PRIVATELY OWNED HOUSING UNITS AUTHORIZED IN PERMIT-ISSUING PLACES VALUATION OF BUILDING PERMITS ISSUED

(Expressed in Thousands)

YEAR	VALUATION	YEAR	VALUATION
1976	$ 444,200	1981	$ 392,000
1977	642,700	1982	701,100
1978	805,200	1983	1,202,700
1979	728,600	1984	1,406,633
1980	610,800	**1985**	**1,632,906**

SOURCES: The Tennessee Econometric Model, Tennessee Department of Employment Security Labor Force Summary, Sales and Marketing Management, and U. S. Bureau of the Census Construction Reports.

POPULATION, TAX BASE AND PERSONAL INCOME

(Expressed in Thousands)

YEAR	POPULATION	ASSESSED VALUE	APPRAISED/ ESTIMATED CURRENT VALUE (NOTE)	PERSONAL INCOME	PER CAPITA INCOME
1977	4,402	$11,904,000	$ 38,298,200	$25,155,000	$ 5,7
1978	4,462	12,739,400	40,260,500	28,542,000	6,4
1979	4,533	13,591,900	66,257,600	31,983,000	7,1
1980	4,602	16,647,800	72,707,700	35,031,000	7,6
1981	4,612	17,350,600	87,705,800	38,957,000	8,4
1982	4,633	18,642,000	90,992,300	41,280,000	8,9
1983	4,678	21,875,000	93,915,000	43,731,000	9,3
1984	4,732	25,239,000	97,016,000	48,373,000	10,2
1985	4,758	26,453,000	107,331,000	52,566,000	11,0
1986(EST.)	**4,800**	**27,700,000**	**118,700,000**	**56,255,000**	**11,7**

NOTE: State Law now requires the State Board of Equalization to determine and report "estimated current property value" instead of the previously published "appraised value." Estimated current property value calculations, shown in the above table since 1978, produce substantially larger amounts as they attempt to reflect current property values in advance of completion of the ongoing total reappraisal program.

PUBLIC SCHOOL ENROLLMENT GRADES K-12

ACADEMIC YEAR	GRADES K-3	GRADES 4-6	GRADES 7-9	GRADES 10-12	TOTAL ALL GRADES
1976-77	277,579	210,359	234,306	186,042	908,286
1977-78	281,621	203,116	232,124	188,159	905,020
1978-79	280,357	202,414	224,585	190,173	897,529
1979-80	274,140	205,877	214,202	189,448	883,673
1980-81	268,985	214,658	210,485	192,554	886,682
1981-82	257,825	212,047	205,791	183,919	859,582
1982-83	255,674	203,806	208,712	177,527	845,719
1983-84	255,853	195,060	213,319	173,054	837,288
1984-85	258,214	189,030	212,953	170,693	830,890
1985-86	**261,165**	**184,545**	**207,631**	**173,707**	**827,048**

PUBLIC HIGHER EDUCATION INSTITUTIONS
FULL-TIME EQUATED FALL ENROLLMENT

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
UNIVERSITIES:										
AUSTIN PEAY STATE	3,640	3,789	4,001	4,112	4,079	4,107	4,091	4,289	4,306	**4,067**
EAST TENNESSEE STATE	8,564	8,429	8,181	8,348	7,697	7,861	7,907	8,060	7,963	**7,986**
MEMPHIS STATE	15,939	15,836	15,683	15,495	15,195	15,007	15,521	16,483	15,860	**15,348**
MIDDLE TENNESSEE STATE	9,140	9,157	9,109	9,467	9,788	9,593	9,645	9,969	9,794	**9,854**
TENNESSEE STATE	4,941	4,525	4,389	6,473	6,588	6,091	6,128	6,134	5,706	**5,232**
TENNESSEE TECHNOLOGICAL	6,269	6,422	6,517	6,905	7,403	7,369	7,458	7,340	7,068	**7,136**
UNIVERSITY OF TENNESSEE:										
CHATTANOOGA	4,755	4,893	5,042	5,356	5,739	5,709	5,804	6,058	5,764	**5,861**
KNOXVILLE	25,997	26,412	25,371	25,725	25,662	24,402	22,991	22,721	21,780	**21,077**
MARTIN	4,874	4,665	4,652	4,828	5,005	5,153	5,129	5,115	4,857	**4,572**
NASHVILLE	2,580	2,558	2,415	*	*	*	*	*	*	*
TOTAL UNIVERSITIES	86,707	86,686	85,863	86,709	87,156	85,292	84,677	86,369	83,188	**81,133**
COMMUNITY COLLEGES:										
CHATTANOOGA STATE TECH.	2,349	2,413	2,633	2,997	3,108	3,205	3,405	3,502	3,076	**2,607**
CLEVELAND STATE	1,919	1,911	1,920	1,806	2,113	1,856	2,039	2,044	1,791	**1,895**
COLUMBIA STATE	1,159	1,166	1,248	1,311	1,451	1,353	1,536	1,564	1,383	**1,367**
DYERSBURG STATE	664	665	626	671	684	884	1,039	1,058	958	**918**
JACKSON STATE	1,459	1,438	1,502	1,586	1,686	1,683	1,840	1,784	1,601	**1,471**
MOTLOW STATE	870	974	1,067	1,124	1,262	1,224	1,352	1,354	1,365	**1,181**
ROANE STATE	1,637	1,662	1,751	1,799	2,139	2,216	2,323	2,368	2,334	**2,435**
SHELBY STATE	3,301	3,137	3,071	3,260	3,443	2,997	3,184	3,297	2,855	**2,416**
VOLUNTEER STATE	1,063	1,058	1,378	1,857	2,078	2,038	2,048	1,973	1,435	**1,080**
WALTERS STATE	1,268	1,797	1,875	2,102	2,286	2,116	2,240	2,244	2,181	**2,101**
TOTAL COMMUNITY COLLEGES	16,780	16,821	17,291	18,613	20,250	19,572	21,006	21,118	19,299	**18,071**
TOTAL ALL INSTITUTIONS	103,487	103,507	103,154	105,322	107,406	104,864	105,683	107,487	102,487	**99,204**

* Effective July 1, 1979 the Nashville campus of the University of Tennessee was merged with Tennessee State University.

SOURCE: The Tennessee Econometric Model, State Board of Equalization, Tennessee Department of Education and the Higher Education Commission.